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CONTEMPORARY SOUTHEAST ASIA

A JOURNAL OF INTERNATIONAL AND STRATEGIC AFFAIRS

079042

Articles

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AMITAV ACHARYA

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Domestic Coalitions and
ETEL SOLINGEN

The Asian Crisis and the Adequacy of Regional Institutions
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Creeping Assertiveness:
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IAN JAMES STOREY

Environmental Pollution around the South China Sea:
Developing a Regional Response
DAVID ROSENBERG

Book Reviews

Letters to the Editor

Volume 21, Number 1 April 1999

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Volume 21, Number 1 April 1999

Articles

Realism, Institutionalism, and the Asian Economic Crisis — Amitav Acharya — 1

ASEAN, *Quo Vadis*? Domestic Coalitions and Regional Co-operation — Etel Solingen — 30

The Asian Crisis and the Adequacy of Regional Institutions — Michael Wesley — 54

Flexibility or Irrelevance: Ways Forward for the ARF — John Garofano — 74

Creeping Assertiveness: China, the Philippines and the South China Sea Dispute — Ian James Storey — 95

Environmental Pollution around the South China Sea: Developing a Regional Response — David Rosenberg — 119

Book Reviews

Vietnam. Anatomy of Peace
By Gabriel Kolko — *Ramses Amer* — 146

Southeast Asia: The Human Landscape of Modernization and Development
By Jonathan Rigg — *Kenneth Christie* — 148

Regional Maritime Management and Security
Edited by Sam Bateman and Stephen Bates — *Jayabalan Vijayakumar* — 150

Letters to the Editor

Oil and the Lack of It in the South China Sea
By *Mark J. Valencia* and *Jon M. Van Dyke* — 153
Response by *Ian Townsend-Gault* — 155

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Volume 21, Number 2 August 1999

LIBRARY
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HARDWAR

Articles

Hegemonic America: The Arrogance of Power	Bob Catley	157
China's ASEAN Policy in the 1990s: Pushing for Regional Multipolarity	Joseph Y.S.Cheng	176
Challenges Facing ASEAN in a More Complex Age	John Funston	205
APEC and the WTO: Which Way Forward for Trade Liberalization?	John Ravenhill	220
Indonesia's Role in ASEAN: The End of Leadership?	Anthony Smith	238
National Security and Malay Unity: The Issue of Radical Religious Elements in Malaysia	Kamarulnizam Abdullah	261
Burma/Myanmar and the Dilemmas of U.S. Foreign Policy	David I. Steinberg	283

Book Reviews

Thailand and the Southeast Asian Networks of the Vietnamese Revolution, 1885-1954 By Christopher E. Goscha	*Zachary Abuza*	312
China's Provinces in Reform: Class, Community, and Political Culture Edited by David S. G. Goodman	*Andrew M. Marton*	316
Dynamics in Pacific Asia: Conflict, Competition and Cooperation Edited by Kurt W. Radtke et al.	*Eugene Kheng-Boon Tan*	320

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A JOURNAL OF INTERNATIONAL AND STRATEGIC AFFAIRS

Volume 21, Number 3 December 1999

LIBRARY
Gurukul Kangri Vishwavidyalaya
HARDWAR

Articles

Is There a U.S. Strategy for East Asia?	Sheldon W. Simon	325
The Revolution in Military Affairs and the Evolution of China's Strategic Thinking	You Ji	344
Paradigms Lost: Japan's Asia Policy in a Time of Growing Chinese Power	Christopher B. Johnstone	365
International Law and the Dispute Over the Spratly Islands: Whither UNCLOS?	Xavier Furtado	386
The Political Economy of Taiwan's Relations with Vietnam	Samuel C. Y. Ku	405
What Will Become of *Reformasi*? Ethnicity and Changing Political Norms in Malaysia	Meredith L Weiss	424
Singapore's Defence: Capabilities, Trends and Implications	Andrew T. H. Tan	451

Book Reviews

The East Asian Challenge for Human Rights Edited by Joanne R. Bauer and Daniel A. Bell	*Asad Latif*	475
Malaysian Politics Under Mahathir By R.S. Milne and Diane Mauzy	*Harold Crouch*	478
Peace, Power and Resistance in Cambodia: Global Governance and the Failure of Conflict Resolution By Pierre P. Lizée	*Carlyle A. Thayer*	481
A Special Relationship: The United States and Military Government in Thailand, 1947-1958 By Daniel Fineman	*Ernest LeVos*	484

Index 487

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Contemporary Southeast Asia, Volume 21, Number 1, April 1999

Realism, Institutionalism, and the Asian Economic Crisis[1]

AMITAV ACHARYA

The Asian economic crisis has brought into sharp focus competing visions of Asian regional order put forward by Realism and Institutionalism. In the early 1990s, Institutionalism challenged the traditional dominance of the Realist paradigm in the region. Now, it has been put on the defensive. The Asian crisis has rekindled inter-state disputes, reduced the credibility of multilateral bodies such as ASEAN, APEC and the ARF, and may be reshaping perceptions of the regional balance of power. It has underscored the relative salience of great power leadership vis-à-vis *small power-led co-operative ventures. But this article sees the Asian crisis as a double-edged sword. While raising doubts about Institutionalism, it does not enhance the credibility of Realist prescriptions for regional order based on balance of power frameworks. Rather, a plethora of developments has opened up new possibilities for an Institutionalist reordering of the Asia-Pacific region.*

Introduction

The economic crisis in Asia has created a deep sense of gloom about the prospects for order and stability in the region. Most assessments of its political and security implications tend to be pessimistic.[2] In April 1998, a report prepared for the U.S. Congress by the Congressional Research Service warned that "a prolonged economic decline could fuel nationalism, undermine regional co-operation, and foster confrontation over long-standing territorial and other disputes."[3] The downfall of the Soeharto regime and the subsequent anarchy in

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Indonesia, the unravelling of efforts to bring North Korea into a co-operative framework, and the increased climate of inter-state tension in Southeast Asia are indicative of the far-reaching impact of the crisis on regional stability. Added to these is the potential of the crisis to reshape the balance of power in the region. Asian misgivings about the U.S. role in helping the region out of the crisis, the failure of Japan to provide decisive leadership, and China's ability to project itself as a responsible power by promising not to devalue its currency, are reshaping perceptions about their relative position and role in the regional strategic equation.

In conceptual terms, the crisis brings into sharp focus the competing visions of regional order put forward by Realism and Institutionalism.[4] Prior to the crisis, especially in the early 1990s, Institutionalism had challenged the traditional dominance of the Realist security frameworks in the Asia-Pacific. Now, Institutionalism is facing a serious credibility problem, largely because of the conflict-causing effects of the economic downturn and the weak response of regional institutions in dealing with them. While it is tempting to see the crisis as a triumph of Realism over Institutionalism, this article argues that their respective merits must be seen in a broader, long-term context. While Realist pessimism prevails in much of the region today, the crisis also presents opportunities for the Institutionalist cause, especially in view of the uncertainties about the balance of power and the demands for political change and institutional reform which it has generated. The Asian crisis is a double-edged sword. While delivering a powerful blow to the pillars of the old regional order, it has also opened up new possibilities for change, which, if properly exploited, might enhance regional stability in the long-term. To understand the prospects for this transformation, this article reviews the Realist and Institutionalist arguments before the crisis, and then assesses how the crisis has affected their respective positions.

Before the Crisis: Realism, Institutionalism and Regional Order

The Realist perspective[5] on regional order in the Asia-Pacific can be summed up in four general arguments. These arguments predate the Asian crisis,[6] although the latter has seen them reiterated with even greater vigour. First, Realists believe in great power primacy and the dependence of smaller and weaker states of the region on great power security guarantees. The management of regional order is more or less the exclusive preserve of the great powers. Smaller and weaker states, whether acting individually or through multilateral institutions, lack the capacity to play a managerial role in international crises and must

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therefore depend on the resources and leadership of the great powers. Realists dismiss the possibility of security self-reliance by weaker states. In the Asia-Pacific region, this scepticism had marked much Realist assessment of the drive towards self-reliance since the British withdrawal from "east of Suez" and the U.S. declaration, contained in the Nixon Doctrine, urging its Asian allies to assume a greater burden of their own defence. Moreover, neither national self-help, as manifested through the major effort at military modernization since the 1980s, nor Institutionalist strategies, such as ASEAN's idea of a Zone of Peace, Freedom and Neutrality (ZOPFAN), could, from a Realist standpoint, deliver small and weaker states from their dependence on external security guarantees.

A second strand of Realist thinking is the centrality of balance of power in the regional security architecture. In an anarchic international system (in the sense that a central governing authority is lacking), security is sought primarily through self-help. The prospect for order at the global or regional level depends critically on how power is distributed among the major actors. All self-help systems are characterized by power-balancing behaviour. Stability can only be ensured through equilibrium of power, while its absence results in war. In the Realist universe, neither domestic politics (such as democracy or authoritarianism) nor co-operative multilateral institutions can have much effect in managing the security dilemma. Stronger states seek to balance their rivals either through domestic means, and/or through alliances with other strong powers. Weaker states cannot balance stronger powers through domestic means — hence their tendency to rely on alliances with great powers who must provide credible security guarantees and general protection through their military presence and power-projection capabilities.

While the notion of balance of power generally means a rough parity among the major powers, in the Asia-Pacific region it had become a short-hand of U.S. military preponderance. Using a balance of power prism, Realists viewed the security and stability in the Asia-Pacific region as a function largely of U.S. strategic dominance. The latter served to balance the expanding Soviet presence in the 1970s and 1980s and kept regional conflicts under check. But as the Cold War, a rough but stable bipolar balance in the international system, came to an end, Realists foresaw the unleashing of conflicts that had been suppressed by superpower dominance. Moreover, the prospects for a new balance looked uncertain owing to the contraction of Soviet and U.S. forces in the region, and the rise of China. The latter was likened by some to the rise of Germany in the latter part of the nineteenth century, with predictions of similar catastrophic consequences. Regional

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order was seen to hang precariously on a U.S. military presence that was diminishing in size and declining in credibility against post-Cold War threats, although it still remained a better guarantee of stability than the fledgling experiment in multilateral security institutions.

A third element of the Realist view of regional order concerns the alleged pacific effects of interdependence. Borrowing from the liberal tradition that has evolved since Immanuel Kant, Adam Smith and Cordell Hull, Institutionalists argue that economic interdependence makes war less likely by increasing the costs of the use of force relative to non-military instruments.[7] Realists, on the other hand, see economic competition as a key dimension of anarchy, which keeps the state system locked into a perennial security dilemma. States in an interdependent regional or international economy do not forego the use of force against other states when the latter's actions are perceived to be damaging to the former's core national security interests,[8] such as sovereignty and territorial integrity.

In the Asia-Pacific region, the rapid proliferation of transnational economic links since the 1970s had been seen by Institutionalists as a positive force for regional stability. Realists, on the other hand, not only refused to accept any significant impact of interdependence in constraining military competition, but they also pointed to its substantial conflict-causing potential, including trade wars, and competition for resources and investment.[9] The Institutionalist argument that such competition would make regional governments even more willing to rely on regional co-operation and conflict management mechanisms such as the Asia-Pacific Economic Co-operation (APEC), failed to impress the Realists. Moreover, the presumed benefits of interdependence in the Asia-Pacific region were negated by economic asymmetries and the general incongruence of political values among the regional societies.

Fourth and finally, Realists are deeply sceptical of the ability of regional institutions in managing conflict and preserving peace. Realists acknowledge the existence of co-operative institutions, but view them as peripheral. Institutions merely reflect, rather than shape, the distribution of power. John Mearshimer, a contemporary neo-Realist, has argued: "institutions are ...based on the self-interested calculations of the great powers, and they have no independent effect on state behaviour. Realists therefore believe that institutions are not an important cause of peace. They matter only on the margins."[10] In the Asia-Pacific region, the ASEAN Regional Forum (ARF) had been viewed by some Realists as a mere "talk shop", even at birth. Michael Leifer likened the ARF to a "brick made without the straw", arguing that to succeed, multilateral institutions require "the prior existence of a stable balance of power".[11] Viewing ASEAN's leadership of the ARF as a structural

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flaw, Realists questioned whether multilateralism, initiated and led by weak states, could regulate the balance among the major powers of the region.

Before the economic crisis, Institutionalists[12] could respond to these assessments with some degree of optimism and confidence. Institutionalism in Asia had gained considerable momentum, especially during the first half of the 1990s, when ASEAN took on a more direct managerial role in regional security while the ASEAN Regional Forum was set up to help manage the strategic uncertainties of the post-Cold War period. To be sure, the claims of Asian Institutionalists concerning the pacific effects of multilateralism were more qualified than Western theories of liberal-institutionalism. They saw Institutionalism less in terms of formal legalistic structures of co-operation than as a long-term process of socialization and consensus-building. But Institutionalists in Asia, like their counterparts in the West, had based their hopes for regional order on the assumption that Institutionalism will facilitate information sharing, build trust, and provide avenues for conflict avoidance and dispute settlement. While acknowledging the newness of regional security institutions and their limitations in managing order in so vast and complex a region as the Asia-Pacific, Institutionalists took a generally optimistic view of regional security, hoping that the habit of co-operation forged through dialogues and interactions would lessen the appeal of balance-of-power politics.

The Institutionalist blueprint for regional order in the Asia-Pacific has been Constructivist in orientation.[13] Constructivists reject rationalist theories of international relations, including both Realism and neo-liberal Institutionalism,[14] for which co-operation depends on calculations of gain and loss by states whose interests are deemed to be exogenous to the process of interaction. Constructivists argue that through incremental interactions and socialization, states redefine their interests and develop a "collective identity" that may enable them to overcome power politics and the security dilemma.[15] In this respect, Constructivists take a sociological, rather than "strategic interaction", view of co-operation in which collective identity is deemed to be constitutive of state interests. From a Constructivist standpoint, conditions such as anarchy, security dilemma and power politics are not permanent or "organic" features of international relations, but are socially constructed. International relations are shaped not just by material forces, such as power and wealth, but also by inter-subjective factors, including ideas, culture and identity.[16]

The proliferation of multilateral security dialogues both at the official, semi-official (Track II) and non-official levels in the Asia-Pacific region in the early 1990s seemed to fit the Constructivist

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framework (which also became prominent around this time). The importance of socialization over legalistic and bureaucratic Institutionalism was reflected in the Constructivist slogan of "process over the product". Proponents of Asia-Pacific Institutionalism paid particular attention to the role of norms and identity. For example, the principles governing inter-state relations within ASEAN, such as non-interference, non-use of force, pacific settlement of disputes and reliance on regional solutions and approaches for co-operation, were seen as important institutional mechanisms for managing the security dilemma. Even more important, from a Constructivist standpoint, was the notion of an "ASEAN Way", with its rejection of legalism and its emphasis on socialization and consensus-building, which formed the core of institution-building strategies in the wider Asia-Pacific region.

Realism on the Ascendant?

Several effects of the Asian economic crisis seem to vindicate the Realist position. First, the crisis has exposed the dependence of regional countries on the great powers for economic well-being and security while at the same time bringing to the fore the persistence of balance-of-power politics in the region. Secondly, the crisis supports Realist claims regarding the conflict-prone nature of economic interdependence. Thirdly, the weak response of, and the divisive intramural politics within Asia-Pacific regional institutions during the crisis lend further ammunition to the Realist claim regarding their limited contribution to regional order.

Great Power Primacy and Balance of Power Politics

The Asian economic crisis has amply underscored the economic and strategic dependence of the region, especially Southeast Asia, on the great powers. In the economic sphere, the region's ability to ride out the crisis has depended on China's pledge not to devalue its currency, the ability of Japan in getting its own economy back on track as well as its willingness to provide substantial aid to the crisis-stricken economies, and the rescue missions undertaken by the International Monetary Fund (IMF), an institution widely seen as a tool of the West, especially the United States. Moreover, the crucial role of the major powers in dealing with the economic crisis has been undertaken outside the framework of regional multilateral institutions. In the strategic sphere, the crisis demonstrates the dependence of the ASEAN countries on the U.S. security umbrella. Nowhere is this more clearly indicated than in the Philippines, whose President, Joseph Estrada, has openly admitted to the need for renewed security links with the United States in order

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to safeguard its security. Manila's decision to conclude a new Visiting Forces Agreement with the United States, though influenced primarily by its dispute with China over the Spratlys, is also based on the "need" for American "friendship and co-operation in the economic crisis."[17] A similar concern lies behind Singapore's efforts to strengthen its military links with the United States, providing for greater access to the U.S. Navy in Singapore.[18]

The Asian crisis, during its early stages at least, did hold up the possibility of a shift in the regional balance of power. Crucial to this development was China's pledge not to devalue its currency[19] and its contribution to the IMF-led rescue packages for Thailand and Indonesia.[20] These actions, which underscored China's growing clout and role in regional economic affairs, were shaped primarily by China's own sense of vulnerability to the effects of the crisis. The latter threatened China's markets in the region, an important source of its growth, while keeping the currency stable also protected Hong Kong's exports and meant lower interest payments on its substantial yen-denominated loans. But whatever the motive, China's currency pledge provided it with an opportunity to secure for itself recognition from other Asian countries as a "responsible" regional power. This, in turn, did serve to dampen talk about the "China threat" in the region.

China's gains are political and diplomatic in nature and do not threaten the strategic balance that continues to be in America's favour. They do not necessarily translate into greater Chinese clout in regional strategic affairs. Moreover, these gains may be short-lived. The crisis demonstrates China's position as an economic competitor to Southeast Asia, which will be aggravated by a future Chinese currency devaluation. John Chipman argues that China's open, if cautious, pressure on the Indonesian Government to deal with the plight of the ethnic Chinese is a retreat from its professed policy of non-interference in the internal affairs of other states. If this view is correct, then it will not only be ironic, given Beijing's frequent warnings to other countries to refrain from commenting on its internal matters, such as democracy, human rights, Taiwan, and even the South China Sea (which has also led Beijing to oppose the concept of preventive diplomacy through the ASEAN Regional Forum), but it will also raise new apprehensions regarding China's role in the region. Furthermore, the fact that China's claims to being a responsible regional power are not backed by a more conciliatory posture towards its territorial claims in the South China Sea may ultimately undo the benefits reaped by Beijing from the crisis.

From a Realist standpoint, what is important about the Asian economic crisis is not its potential to cause an actual shift in the balance among the major powers, but its effect in contributing to a more

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competitive dynamic in the relationship among them. The responses of both China and Japan to the crisis show the influence of balancing considerations. For example, Beijing has sought to increase its political influence gained from the currency pledge at the expense of both the United States and Japan. A report by the U.S. Institute of Peace on the crisis underscored this by citing "rumours of quiet Chinese warnings delivered to some Southeast Asian neighbours to guard against American 'hegemonic' ambitions", as indicated in its use of the IMF to demand greater economic and political liberalization.[21] Moreover, as John Chipman argues, China's vocal criticism of Japan's failure to revive its own economy is indicative of Beijing's new assertiveness *vis-à-vis* Tokyo.[22]

This is compounded by the fact that China's political gains came at the expense of Japan. Japan's inability to stimulate its own economy (which has grown 1–2 per cent for the last eight years), and address its banking crisis was widely criticized in the region as a failure of leadership. Realization of this might explain Japan's offer of over US$35 billion in aid (including a US$5 billion package announced at the Hanoi ASEAN Summit in December 1998) to the countries affected by the crisis.[23] Realists may see, with some justification, this belated move to regain ground lost to China as introducing a new element into the competitive balance of power dynamic that has intensified in the wake of the Asian economic crisis.

But the most critical factor in the regional balance remains the role of the United States. Several factors will determine how Washington fares in the crisis. First, American inaction at the beginning of the crisis and suspicions that Washington might have directly encouraged the IMF's highly interventionist role in regional economic affairs to open up regional markets while paying scant regard to its social and political consequences, cost it a fair amount of goodwill in regional perceptions. Washington subsequently made amends with a more activist role in handling the crisis and encouraging greater moderation in the IMF's role. But the crisis poses another challenge to the U.S. role in the regional balance. The devaluation of the region's currencies has led to a flood of cheap Asian exports to the United States. In the first half of 1998, U.S. imports from East Asia, excluding Japan, rose 10 per cent, while Japan's trade surplus with the United States jumped 24.7 per cent during August 1998, compared to the same period a year earlier.[24] This led to American accusations that while the United States was making sacrifices to absorb imports from Asia to help the economies out of the crisis, Japan was hurting them and the United States with its mounting trade surpluses. A renewed phase of trade-related conflicts between the United States and East Asian nations, apart from fuelling greater

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protectionist sentiments in the U.S. Congress, may also test U.S. security commitments in the region and create further uncertainties about the regional balance of power.[25]

While the foregoing suggests several reasons for the Realist ascendancy in regional security analysis, it does not support the exaggerated, almost vulgarized faith in the balance of power found in some Realist perspectives on Asian security. This is because the region's increased sense of dependence on the U.S. security umbrella is undercut by disillusionment about its handling of the economic aspects of the crisis. The United States may be firmly entrenched as a "balancer of last resort" in military security, but enjoys less credibility today as a partner in economic security, which is increasingly vital to the Asian countries in an era of globalization.

Indeed, economic globalization may be rendering obsolescent the traditional importance of balance of power in the region. Until the crisis, major strategic shifts in Southeast Asia were brought about by changes in the balance of power and great power geopolitics. Thus, decolonization, the British withdrawal from "east of Suez", the American withdrawal from Vietnam, and later the end of the Cold War, were catalysts of a major reordering of Southeast Asia. The one possible exception to this, the ASEAN-Indochina polarization brought about by the communist victories in Indochina and the Vietnamese invasion of Cambodia, was also deeply influenced, in both its origin and in the endgame, by the dynamics of great power behaviour, especially the relations between China, the Soviet Union and the United States. The changes produced by the Asian economic crisis in Southeast Asia's regional order are the result of the forces of globalization, rather than great-power geopolitics. Globalization poses new dangers to all the major powers, which will test their influence and endanger their security even if the balance among them remains unchanged. The balance of power will be less of a determinant of regional order *vis-à-vis* the forces of economic globalization; instead, it is the latter which may well determine the former.

Interdependence, Relative Gains and the Insecurity Dilemma

The Asian economic crisis demonstrates that economic competition and uneven development (both within and between states) remain a major source of inter-state conflict in the Asia-Pacific region. Nowhere is this dynamic better illustrated than in Singapore's relationship with its two larger, Malay neighbours, Malaysia and Indonesia. As a country relatively less affected by the crisis, Singapore was seen by its two Malay neighbours as being less than sincere in helping them to ride out the crisis. While some contentious bilateral issues in Singapore–Malaysia

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relations predate the economic downturn, the latter certainly contributed to their escalation, especially because of Malaysia's frustrations in securing financial assistance from Singapore that might have reduced its need in seeking costly and conditional outside help. For example, when Singapore shifted its railway customs, immigration, and quarantine (CIQ) facilities to a border post from their colonial-era location deep within Singapore territory, the Malaysian Education Minister accused Singapore of aggravating "the issue at a time when we are facing economic problems".[26] Similarly, Malaysian Prime Minister Mahathir Mohamad condemned the release of Singapore Senior Minister Lee Kuan Yew's memoirs, which was deemed insulting to Malaysia by many Malaysian leaders, saying that the timing of it was designed to take advantage of Malaysia's economic difficulties, even though, as Lee pointed out, the timing had been decided before the crisis had really begun to hit Malaysia.[27]

The deterioration of Singapore–Indonesia relations is even more significant since here, Singapore's offer of aid was not sufficient to overcome Indonesian ill-feelings. Despite a Singapore offer of over US$5 billion in assistance, Indonesia's new leader, President Habibie, openly criticized Singapore as not being "a friend in need". Comparing the help Indonesia received from Japan, Malaysia and others, Habibie claimed that while others are "pro-active" in helping Indonesia, Singapore was "pro-active in the negative direction".[28] (The real reason for Habibie's anger had to do with Lee Kuan Yew's earlier criticism of the choice of Habibie as Vice-President by then President Soeharto, which Lee implied would be poorly received by the financial markets and hinder Indonesia's recovery).

The Singapore–Malaysia row spilled over to their defence relationship. In August 1998, Malaysia pulled out of a joint exercise scheduled in September under the Five Power Defence Arrangements (FPDA, comprising Singapore, Malaysia, Australia, Britain and New Zealand). Malaysia's Defence Minister cited the economic downturn as the reason for the pull-out, but also added that it would have been "inappropriate" for Malaysia to participate in the exercises since some of it were supposed to be held in Singapore.[29] Later, he denied that the row with Singapore was actually a factor (and Malaysia has since agreed to resume its participation in the FPDA), but military co-operation suffered a further blow in September 1998 when Malaysia rescinded long-standing agreements that allowed Singapore's military and rescue planes to over-fly Malaysian territory without prior authorization.[30]

Although Singapore denied fearing a military conflict with its neighbours,[31] it took care to increase its defence preparedness.[32] George Yeo, a Cabinet Minister, spoke of the "high morale" of the Singapore

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Armed Forces in preparing for the potential "evil" consequences of the economic crisis.[33] In Malaysia, Mahathir asked Singapore not to take Malaysia "for granted", even if it did not "have a large military to attack others".[34] And in restricting the Singapore air force's access to Malaysian air space, Mahathir hinted darkly that Malaysia would like to "take back our territory bit by bit" from Singapore.[35]

The impact of the economic crisis on the insecurity dilemma in Southeast Asia can be further seen in the spill-over effect of domestic strife in Indonesia and other parts of the region on inter-state relations. The rise of Islamic political forces in Indonesia following the downfall of Soeharto is rekindling anxieties in Singapore about being a "Chinese island in a sea of Malays". The economic downturn has also aggravated conflicts over the issue of migrant labour. The issue is especially serious in Malaysia, which is home to 2.5 million foreign workers, with close to one million of them being illegal workers, largely from Indonesia.[36] By July 1998, Malaysia had already deported 30,000 foreign workers and introduced strict measures to prevent them from working in the service sector.[37] Thailand's one million illegal workers include a vast number (about 80 per cent) from Myanmar.[38] The problem of illegal immigration, which the Australian Foreign Minister has called "the people crisis", could be aggravated as countries hit by the crisis experience growing poverty and unemployment, resulting in a greater exodus of their citizens overseas.[39] The forced repatriation of illegal workers, carried out by Malaysia and Thailand, has not only challenged domestic stability (as evident in rioting by Indonesian workers in Malaysia), but also served as a source of inter-state tension and regional insecurity. Singapore's leaders, for example, have shown themselves to be apprehensive that instability in Indonesia would have spill-over effects similar to the transition from Soekarno to Soeharto in the 1960s. Among its concerns are "problems with illegal immigrants and piracy" as well as the creation of a "climate of uncertainty and unease affecting the region".[40]

The economic crisis has given further ammunition to those who dismiss the role of economic growth and interdependence in moderating conflict among states. The fate of Singapore's professed pursuit of a "prosper-thy-neighbour" policy is indicative of this. This policy was articulated by Prime Minister Goh Chok Tong in 1995 in the following terms:

> Prosperous countries make good neighbours. The pursuit of economic growth leading to social stability within individual countries contributes to regional peace and stability. A more stable and peaceful region would in turn promote even more growth as foreign investment funds are increasingly attracted to the region. More growth means

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more trade with one another. It is a virtuous cycle of prosper-thy neighbour.[41]

But the economic crisis seems to vindicate the Realist claim that the notion of "relative gain" matters in economic and security co-operation among states. The logic of relative gain assumes that states are likely to judge the benefits of co-operation by looking not just at whether all parties stand to gain from it (absolute gain), but also at whether they stand to gain more or less than the others.[42] In the vocabulary familiar in the Southeast Asia region, the difference is one between co-operation as a "win-win" situation *vis-à-vis* co-operation as "how much you win, how much I win". In the heat of the Singapore–Malaysia row, Malaysian Education Minister Najib Tun Razak accused Singapore of being "too competitive". Singapore, he alleged, "always wanted to emerge the winner and did not seem interested in seeking a win-win solution."[43] Mahathir went a step further by accusing Singapore of having "actually prospered by taking advantage of the weaknesses of its neighbours". In his view, Singapore has "no wish whatsoever to assist its neighbours... Whatever businesses [they have] in Singapore, they flourish out of the weaknesses of its neighbours."[44]

Apart from highlighting relative gain concerns, the crisis has led to a greater awareness of the potential dangers of economic interdependence. Any presumed benefits of interdependence in the political and security arena are under attack from the forces unleashed by globalization. As Desmond Ball points out, in a global economy a "high degree of interdependence can serve as a transmission belt for spreading security problems through the region, and more particularly, if growth falters, or if conflict is introduced into the system, that friction and disputation are likely to quickly permeate the region."[45]

One of the main lessons of the crisis is that any pacific effects of interdependence are less likely to hold if there exist significant economic disparities among states. The political gains of interdependence are particularly vulnerable to economic downturns, especially if the impact of the downturn is felt unevenly within a group of states.

But the insecurity dilemma resulting from the economic crisis can be overstated. Amidst escalating bilateral tensions, both Singapore and Malaysia have rejected the possibility of military conflict. In the words of the Malaysian Defence Minister, "Malaysia has never considered such a possibility."[46] Lee Kuan Yew likened the Singapore–Malaysia verbal spat to a "war dance, plumed feathers and so on", which would release latent tensions in their relationship, but not lead to a war because the two countries had a long history of such ups and downs.[47]

That the crisis has not uniformly contributed to the worsening of

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the security dilemma can be seen in its impact on the regional military build-up. Since the crisis began, there have been significant reductions in national defence budgets and arms acquisitions as well as training activities in Southeast Asia. The Thai defence budget was reduced by 12 per cent in October 1997. Thailand has cancelled the purchase of eight F/A-18 Hornet fighters, and frozen the acquisition of two or three submarines. In December 1997, the Malaysian Government cut its defence budget for 1998 by 10 per cent, with a further cut of 8 per cent under consideration. It also postponed programmes to acquire attack helicopters, submarines, transport aircraft, and tanks, and cut back on its offshore patrol vessel (OPV) project. The Indonesian defence budget was cut even more drastically, by as much as 50 per cent for 1998, according to conservative estimates.[48] It cancelled a planned purchase of surplus German submarines and postponed (with the strong possibility of cancellation) an order of twelve Su-30K fighters and Mi-17 attack helicopters from Russia. Apart from direct cuts in spending, the devaluation of regional currencies is affecting defence purchasing power. The Philippine defence budget was effectively reduced by one-third as a result of the devaluation of its currency.[49] And the future of its military modernization programme looks doubtful. On the other hand, Singapore has maintained its level of defence spending. Its weapon acquisitions, such as an additional twelve F-16 fighters from the United States, submarines from Sweden, and new projects to acquire unmanned air vehicles (UAV) and attack helicopters have not been affected by the crisis.

In Northeast Asia, 1998 saw Japan carry out its first cut in defence spending since 1954, although the cut had already been anticipated as part of a US$8 billion reduction to the 1996–2000 defence programme.[50] Japan has also cut back on its support payments for the 47,000 U.S. troops in its territory.[51] China's defence budget, in contrast, has maintained its annual double-digit growth rate.

The uneven reduction in defence spending and arms purchases increases the potential for military disparities, which may fuel suspicions and tensions among the regional countries. Moreover, the cut-backs in joint training and exercise activities reduce useful channels for confidence-building among the region's armed forces.[52] On the other hand, these cut-backs and fiscal constraints are forcing greater caution, transparency and rationality to the process of defence acquisitions in the region and have lessened the possibility of a regional arms race.[53] They suggest that the military build-up in the Asia-Pacific region during the 1990s was at least as much a product of increased affluence as of strategic rivalry.[54]

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Retreat of Institutionalism

Realists tend to juxtapose balance-of-power politics with Institutionalist strategies by claiming that when faced with a major crisis, states often turn to the former to ensure their survival. Prior to the crisis, Realist critiques of ASEAN and the ARF converged on the point that these groupings, being "led" by the region's weaker states, cannot address issues of regional order which depend on great-power policies and preferences. The economic downturn has certainly strengthened the basis for such scepticism.

The crisis exposed ASEAN's dependence on foreign capital and its vulnerability to global markets and political forces. Within ASEAN, hopes that the crisis would engender greater unity, a sense of solidarity among the troubled economies, prompting them to deepen existing levels of co-operation and to develop common responses to the crisis, proved too optimistic.[55] ASEAN's response showed the limits of its collective clout to deal with a major regional economic crisis.[56] Lee Kuan Yew described ASEAN's response to the crisis as the "solidarity of fellow chicken-flu sufferers".[57] An initial idea explored by ASEAN was to set up a "co-operative financing arrangement" or a "stand-by fund" which could be used to deal with future currency shocks and debt crises. The fund could be used only after an IMF-package had been put in place; in this sense, it was not to be a substitute for global multilateral measures.[58] ASEAN economic ministers have since pursued a regional "framework" which will allow members to engage in "mutual surveillance" of each other's economic policies and provide "early-warning" of impending economic downturns.[59] The ASEAN summit in Hanoi in December 1998 saw efforts by ASEAN to give a new boost to economic co-operation by bringing forward the implementation timetable of the ASEAN Free Trade Area, and launching an ASEAN Investment Area. But none of these have had much impact in reversing perceptions of ASEAN's limitations. The bilateral tensions between Singapore and Malaysia, divisions over the non-interference doctrine (to be examined later) and the admission of Myanmar diminished ASEAN's international standing as a cohesive grouping.

Other regional institutions have fared no better. The economic turmoil threatens the credibility of the Asia-Pacific Economic Co-operation (APEC) forum. Created at a time of immense optimism and euphoria concerning the region's future, APEC was quick to acknowledge its limitations in dealing with the crisis by endorsing the IMF, a global multilateral body dominated by the United States, as the chief trouble-shooter. APEC's unity came under stress as well. The American opposition to the Japanese Institutionalist idea of an Asian Fund and its open support for the IMF's pressure on the crisis-hit economies

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to accept further deregulation, exacerbated what Richard Higgott has called the "politics of resentment" within APEC.[60] The crisis also created new doubts about the benign nature of "open regionalism", which has been the philosophical basis of APEC. Also being challenged is the uncritical acceptance of increased deregulation and capital mobility, which had been encouraged by the advocates of APEC during its initial years. Adding to this is the growing politicization of APEC's agenda, with the infusion of human rights issues. The November 1998 Leaders' Meeting in Kuala Lumpur was noted more for U.S. Vice-President Al Gore's open attack on the Malaysian Government's authoritarian policies than for any credible strategy for overcoming the economic downturn affecting its members. The Australian Government's criticism of Mahathir's "authoritarian turn", and the initial reluctance of the leaders of Indonesia and the Philippines to come to Kuala Lumpur in protest against the arrest and beating of its sacked Deputy Prime Minister Anwar Ibrahim further overshadowed APEC's economic agenda, and cast doubts about its ability to foster a positive regional security climate. Criticizing APEC's inaction as the economic crisis unfolded, Gareth Evans, the former Australian Foreign Minister, warned of "the serious risk of it becoming totally marginalised as an institution, and its achievements of the last nine years squandered".[61] "It is now clear", contends Richard Higgott, "that the euphoric expectation of the 1993–96 period that APEC would provide firm institutional ties to mitigate inter-regional tensions between Asia and the US was wishful thinking of a high order".[62]

The problems facing the ARF are less directly related to the economic crisis than to what Realists see as its structural inability to regulate the relationship among some of the world's most powerful nations which are attuned more to balance of power concerns than to the politics of inclusiveness and co-operative security. But the crisis has created new uncertainties about its leadership and agenda-setting process. Preoccupied with their domestic economic and political troubles, the ASEAN countries may have lost their capacity for being in the "driver's seat" of the ARF. As a result, the ARF may from now on be driven more by the interests and policies of the major powers, thereby undermining ASEAN's hopes for a more equitable relationship between the region's weaker and stronger states through a multilateral security framework. Added to this is the growing sense of doubt about the "ASEAN Way". The ARF is supposed to be based on the ASEAN model of co-operation and driven by the processes of "soft regionalism" and consensual decision-making that have been associated until now with ASEAN. But with ASEAN itself under intramural pressure to modify its habits, the ARF would have to look for new frameworks and

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procedures. Moreover, the ARF is a victim of the general sense of disillusionment with the fledgling experiment with multilateralism and institution-building in the Asia-Pacific region. Keen supporters of the ARF, such as Australia and Canada, have lowered their expectations of the forum. This comes at a time of heightened fear of regional conflict and a resurgence of bilateral alliance relationships, especially the U.S.-Japan alliance, which detract from the multilateral cause.

While the Asian crisis has undermined macro-regional frameworks such as the ARF and APEC, claims by some analysts[63] that it would lead to more effective bilateral or issue-specific subregional co-operation are not necessarily faring better. A clear example of this is the Korean Peninsula Energy Development Organization (KEDO), which was dealt a serious blow because of the financial difficulties of South Korea and the general sense of distraction on the part of other parties, including Japan and the United States, caused by the economic crisis. Furthermore, while there have been renewed calls for a Northeast Asian security forum,[64] this had always been welcomed by the protagonists of the ARF, and thus cannot be seen as a repudiation of Institutionalism. The Asian crisis has also underscored the limited prospects for an Asian concert dealing with Northeast Asian security issues.[65] The recent proliferation of bilateral dialogues among the major powers — the United States, Japan, Russia and China — is a continuation of trends predating the crisis.[66] But they do not amount to a concert relationship, given the persistence of suspicions between China and Japan, which were amply evident during Chinese President Jiang Zemin's historic visit to Japan in November 1998. The competitive responses of China and Japan to the crisis and the prospects for renewed economic rivalry between China, Japan, and the United States, which the crisis has induced, make a concert relationship among them highly unlikely. This itself may support the Institutionalist position, which prefers small-power inclusiveness to great-power dominance in managing regional order.

The Asian Economic Crisis and the Realist-Institutionalist Debate

Realist Propositions about Regional Order before the Asian Crisis

1. Regional order depends on the policies and interactions of the major powers. Small and weaker nations cannot achieve security self-reliance, either individually or collectively.
2. The balance of power is the only realistic way to ensure regional stability. But balance of power in the Asia-Pacific does not involve achieving strategic parity among the major powers; rather, it depends

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on continued U.S. military preponderance which would keep the ambitions of regional powers in check.

3. The growing interdependence of the Asia-Pacific region does not reduce the likelihood of war; it may open up new sources of inter-state conflict and serve as a transmission belt for conflicts arising in one part of the region to another.
4. Regional institutions, such as ASEAN, APEC and the ARF, have a limited role in managing regional order; they are secondary to balance-of-power politics pursued through self-help and alliances involving major powers. Institutions do not constrain the strategic preferences and behaviour of major powers.

After the Crisis: "We Told You So"

1. The crisis both demonstrates and increases the dependence of the Asia-Pacific countries on great power economic aid and a security umbrella.
2. Balance of power politics is reasserting itself as the United States, China, and Japan compete to exploit the crisis for their own advantage, and the United States strengthens its military links with regional countries.
3. Interdependence serves as a transmission belt for domestic and intra-regional conflicts caused by the crisis.
4. ASEAN and APEC have failed miserably in dealing with the crisis; the very conceptual basis of the ARF, ASEAN's leadership, has been severely compromised.

Institutionalist Propositions about Regional Order before the Crisis

1. Superpower retrenchment after the end of the Cold War necessitates and opens the space for multilateralism as an alternative to bilateral alliances and balance-of-power politics.
2. Institution-building in the Asia-Pacific region follows a different trajectory and conceptual framework from that of Europe. The key features of the former are soft regionalism, consensus-building, an emphasis on process, and the avoidance of legalistic procedures and bureaucratic apparatuses.
3. The ASEAN model of security co-operation provides a useful tool for advancing Asia-Pacific institution-building.
4. Asia-Pacific institutions cannot replace balance of power arrangements but through measures for confidence-building, preventive diplomacy and conflict management, they would gradually soften and moderate great-power rivalry.

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After the Crisis: "Short-term Pain, Long-Term Gain?"

1. While the crisis bears out Realist pessimism, it does not prove the superiority of Realist prescriptions. The balance of power does not ensure regional order at a time of greater uncertainties and possible shifts in the relative position of the major powers, new doubts about the reliability of the United States as an economic security partner, and reduced prospects for a great power concert.
2. The crisis does not prove the futility of Institutionalism, but it underscores flaws in the way existing institutions conduct their business. Institution-building in the region must go beyond the "ASEAN Way" and provide for more "Europe-like" rule-based interaction.
3. Regional institutions face the need to review existing norms, especially the doctrine of non-interference, which might have prevented more timely responses to the crisis. The region must develop more interactive and "intrusive regionalism".
4. Institutions must become more involved with social movements and the civil society in order to meet the challenges of globalization. The forces of democratization unleashed by the crisis can only be accommodated through a more socially inclusive regionalism.

Reinventing Institutionalism: Intrusive Regionalism, Post-ASEAN Way and Democratic Peace

The future of Institutionalism in Asia depends not just on how the balance of power mechanisms perform, but also on how regional institutional alternatives reorganize themselves in the face of demands for reform. One area of reform relates to the challenge of what may be called "intrusive regionalism".

"Intrusive regionalism" may be distinguished from "inclusive regionalism". The latter emerged in the early 1990s as an integral element of the principle "of co-operative security" which rejected exclusionary military alliances and called for opening multilateral frameworks to all actors irrespective of political and ideological differences among them. The ARF was the embodiment of the principle of inclusiveness. "Intrusive regionalism", on the other hand, calls for closer interaction among members of a regional group, including mutual receptivity to early warnings about domestic developments with transnational consequences, and co-operation against such commonly faced dangers even though such co-operation may intrude into the domestic affairs of member-states.

In Southeast Asia, the demand for "intrusive regionalism" is centred

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on a review of the doctrine of non-interference, a sacred cow of ASEAN regionalism. Critics allege that had ASEAN not been so committed to non-interference, "friendly criticism" of Thailand by its neighbours might have resulted in more timely Thai action to attend to its domestic troubles before it became a regional contagion. As *The Economist* put it, "any persuasion from fellow ASEAN members [to Thailand] to set a new course was so discreet that it was easy to ignore".[67]

Subsequently, the Thai Foreign Minister, Surin Pitsuwan, argued: "it is time that ASEAN's cherished principle of non-intervention is modified to allow it to play a constructive role in preventing or resolving domestic issues with regional implications".[68] To make the grouping more effective, Surin urged that "when a matter of domestic concern poses a threat to regional stability, a dose of peer pressure or friendly advice at the right time can be helpful".[69] But Surin's initiative, dubbed "flexible engagement", received support from just one other ASEAN member, the Philippines. ASEAN Foreign Ministers, at their annual meeting in Manila in July 1998, decided to stick to the old principle of non-interference.[70] Subsequently, the sacking of Anwar Ibrahim, the proponent of the idea of "constructive intervention" as a framework for dealing with ASEAN's weaker and less stable members, further weakened the forces advocating more openness in ASEAN.[71]

But debates within ASEAN regarding greater openness are not likely to fade away.[72] In fact, non-interference took a beating over the Anwar Ibrahim issue. The police treatment of the sacked Malaysian Deputy Prime Minister drew protests from the new leaders of the Philippines and Indonesia, thereby provoking accusations from Malaysia regarding unwarranted interference in its internal affairs.[73] This controversy may desensitize ASEAN members regarding the taboo of interference and serve the cause of flexible engagement.

Another area of reform that ASEAN has to come to terms with arises from the call to move away from the "ASEAN Way" and to be more receptive to formal and institutionalized mechanisms for co-operation. Tommy Koh has articulated this need. East Asian leaders, Koh has contended, had pursued co-operation by "building trust, by a process of consultation, mutual accommodation and consensus" while displaying a "general reluctance to build institutions and to rely on laws and rules." But the economic crisis has shown the need to supplement the "ASEAN Way" by institutions.[74] Similarly, the Foreign Secretary of the Philippines raised the possibility of an EU-style ASEAN. ASEAN's economic monitoring agreement, in his view, was already a step "towards institutionalising closer co-ordination of national economic policies and performance and fostering rule-based

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transparency in governance".[75] This would thus force ASEAN to review and restructure itself, thereby being one of the positive consequences of the Asian economic crisis.

In undertaking these and other reforms, the Institutionalist cause may well benefit from the changing domestic politics of the regional countries. Realists, especially neo-Realists, pay little attention to domestic forces in the making of international order, focusing instead on the system structure. This is a major flaw, especially when analysing developing countries where domestic politics and regime security concerns often override and shape foreign policy and regional security postures. Institutionalists pay more attention to domestic politics. In particular, liberal Institutionalists, who espouse the "Democratic Peace" doctrine, argue that in fostering peace and stability, institutions work best if they are supported by a shared democratic political framework among their members.[76] Pluralist-democratic political culture and institutions are a key factor in advancing regional economic integration in Europe towards a security community in which intramural wars are no longer seen as legitimate or likely. Similarly, the best examples of bilateral security communities in the world today can be found among liberal democratic states — between the United States and Canada, and between Australia and New Zealand. Until now, co-operation and conflict-management among the ASEAN states have rested on a narrow consensus among its èlite and leaders, without support and sustenance from their civil societies. However creditable, this has not guaranteed war-avoidance with the assurance of democratic security communities, such as the European Union, or the U.S.-Canada, or Australia-New Zealand relationships.

The Asian economic crisis has, in some respects at least, advanced the cause of democratization in the region.[77] The crisis has led to increased pressure from the international community, including the Western countries which had in the past turned a blind eye to authoritarian rule to preserve economic gains, in support of democratization in the region. The collapse of the Soeharto regime in Indonesia, one of Asia's longest and most repressive regimes, has encouraged the forces of democracy in other parts of the region, including Malaysia. In Myanmar, it has undermined the attempt by the military regime to seek legitimacy by adopting the Indonesian "model" of civilian–military relations. Moreover, the crisis has challenged political concepts that had been seen by critics as being conducive to authoritarian rule. This includes the concept of "performance legitimacy" which had served as a justification for political repression as long as governments were able to deliver high growth rates. The crisis has shown that democratic regimes (as in Korea, Thailand, and Taiwan) may be better

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able to deal with economic crises than authoritarian ones (as in Indonesia), thereby producing a powerful new conceptual justification for democratization.[78]

But Institutionalists should be careful in assuming the relevance of the West's doctrine of "democratic peace" to Asia.[79] Of the two claims of the democratic peace argument, the first one, that "liberal democracies rarely fight one another", enjoys greater historical validity than neo-Kantian assertions that democracies tend to be more peaceful than non-democracies. But Asia, with countries such as China, Vietnam, Myanmar, and North Korea still under authoritarian rule, continues to have too few democracies for the first proposition to be put to the test. And the democratization process cannot be taken for granted in Indonesia.

Moreover, Democratic Peace theorists do concede that the absence of war between democracies is more likely to hold if they happen to be "mature" and "stable", rather than fledgling, illiberal and unstable.[80] This is an important qualification in the context of Asia, where democracies tend to be more "communitarian" than "liberal", compared to their Western counterparts. The accountability of democratic regimes to public opinion on matters of war and peace is still weak in Asia. The Asian experience may well show that while democracies may pursue more pacific policies once the dust has settled over the transition from authoritarian rule, the democratization process itself could engender regional instability and tension because of the tendency of the new democratic regime to seek greater domestic legitimacy by "exporting" its political values, and because of the uncertainties and apprehension with which its neighbours may view such a regime.

Nonetheless, the pro-democracy pressures generated by the Asian crisis present two new opportunities for Institutionalists which they can exploit to strengthen their appeal. First, the Asian governments are now less willing and able to put forward a "relativist" position on democracy and human rights, as they had done in the early 1990s with the "society over self" slogan.[81] With the collapse of the Soeharto regime and the entrenchment of democratic forces in Thailand and the Philippines, ASEAN would find it hard to ignore abuses in Myanmar and other countries in the region, even if it does not directly interfere in the internal affairs of such states. This will encourage greater understanding between the Western and Asian members of regional multilateral institutions such as the ASEAN Post Ministerial Conference, APEC and the ARF. Moreover, the crisis has weakened the position of the "Asian values" school, and the divisive debate it had generated.[82] In this regard, the crisis could pave the way for more co-operative relations between Asian and Western countries in the area of multilateral institution building.

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Secondly, the Asian crisis is forcing Institutionalists to rethink the social and political bases of regional co-operation. The crisis has brought to the fore the role of social forces and movements in inter-state relations. It has seen growing interactions and co-operation among non-governmental organizations campaigning for democracy not just in their home countries, but also in the region as a whole. Until now, mainstream Institutionalists in Asia have ignored the role of social forces. The so-called "Second Track" processes in the region are usually led by semi-governmental think-tanks and other agencies viewed favourably by the governments. They allow little space for "critical" perspectives on multilateralism held by social movements, for whom regional institutions such as ASEAN, APEC, and the ARF are too state-centric and élite-driven to serve as the basis for a genuine regional community.

Like other Institutionalists, "critical" perspectives recognize the dangers of the balance of power system and advocate multilateral approaches to managing insecurity. But they reject the multilateralism of exclusively state actors, advocating instead a more inclusive and emancipatory notion of multilateralism in which civil society plays an important role.[83] Prior to the economic crisis, they had provided a valuable counter to the Liberal hype about institutions such as APEC, accusing them of ignoring issues of human rights, environment and cultural identity. They had drawn attention to the harmful effects of globalization and market-driven regionalism on human security,[84] effects which the region has now awakened to as a result of the economic crisis. The Asian economic crisis suggests the need for mainstream Institutionalist approaches to accommodate these critics. Certainly, attempts to develop effective responses to transnational issues, such as forest fires in Indonesia and illegal migration, require co-operation from civil society. An Institutionalism which encourages the development of regional civil society may have a better chance of addressing the insecurities of globalization than one which is an exclusively state-centric and élite-driven process.

Conclusion

The Asian economic crisis has had, and continues to have, wide-ranging effects on regional order. It has unleashed severe domestic strife in Indonesia, rekindled inter-state disputes in Southeast Asia, and reshaped perceptions of the regional balance of power. Overall, it has shaken the confidence of regional countries in ensuring peace and security in an era of globalization. Responses to the crisis suggest the relative salience of great power leadership *vis-à-vis* small power

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co-operative ventures. The spiral of insecurity generated by the crisis strengthens Realist perspectives and claims regarding future peace and stability in the Asia- Pacific region. It leaves the Institutionalist position demoralized and somewhat marginalized.

But to view the Asian economic crisis as a triumph of Realists over Institutionalists would be premature. While the crisis bears out elements of the Realist diagnostic framework, it does not necessarily validate its prescriptions centred on the role of the United States in ensuring the balance of power.[85] American military dominance is not seen in the region as a reliable guarantee of economic security. Interactions among the major powers have been rendered even more uncertain as a result of their competitive responses to the crisis; hence it cannot be trusted as providing a stable basis for regional order. Because balance of power alternatives are themselves flawed, Institutionalism will remain relevant to Asia-Pacific security despite its demonstrated weaknesses in responding to the crisis.

In a general climate of gloom caused by the economic crisis, little attention has been paid to its positive effects. The crisis has contributed to a general momentum towards democratization, reduced the prospects of a regional arms race, and led to a rethinking of the purposes and practices of regional institutions. The insecurities generated by the crisis may well be a blessing in disguise to those advocating reform not just in domestic polities, but also in regional governance.

But the main message of the Asian economic crisis for Institutionalists must be: "Physician, heal thyself". It cannot be business as usual. The crisis has underscored the need for more transparent, rule-based institutions — institutions which are not just a club of governments and élites, but which engage national and regional civil societies and strive to be "pluralistic security communities" in their domestic foundations as much as in their inter-state dynamic. This will enable Institutionalism not only to meet the onslaught of Realism, but also reassert itself as a credible paradigmatic alternative.

NOTES

1. The author would like to thank an anonymous reviewer for constructive comments and criticisms on an earlier draft of this article.
2. For an overview of the political and security implications of the crisis, see Paul Dibb, David Hale and Peter Prince, "The Strategic Implications of Asia's Economic Crisis", *Survival* 40, no. 2 (Summer 1998); Derek da Cunha, "Concerns Loom Over Security", *Sunday Times* (Singapore), 19 July 1998, p. 44; Robert B. Zoellick, *The Political and Security Implications of the East Asian Crisis* 9, no. 4 (National Bureau of Asian Research Analysis, September 1998); John Chipman, "Asian Security

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in the Context of the Asian Economic Situation" (Lecture delivered to the Yomiuri International Economic Society, Tokyo, 18 September 1998); *Beyond the Asian Financial Crisis: Challenges and Opportunities for U.S. Leadership* (Washington, D.C.: USIP, April 1998); Richard P. Cronin, *Asian Financial Crisis: An Analysis of U.S. Foreign Policy Interests and Options*, CRS Report for Congress, 98-74F (Washington, D.C.: CRS, Library of Congress, 23 April 1998).

3. Cronin, op. cit., p. i.
4. A recent account of the Realist-Institutionalist debate can be found in the article by John Mearsheimer in the Winter 1994/95 issue of *International Security*, and replies to it in the journal's Summer 1995 issue. John Mearsheimer, "The False Promise of International Institutions", *International Security* 19, no. 3 (Winter 1994/95): 5–49. Among the Institutionalist responses, see especially Robert Keohane and Lisa Martin, "The Promise of Institutionalist Theory", *International Security* 20, no. 1 (Summer 1995): 39–51. For a selection of important contributions to this debate, see David Baldwin, ed., *Neorealism and Neoliberalism: The Contemporary Debate* (New York: Columbia University Press, 1993).
5. Realism is a theory of international relations which makes the following assumptions: (1) states are the main units of international relations; (2) anarchy, or the absence of any higher form of authority above the state, is the basic feature of the international system; (3) the main goal of states is to pursue their national interest and maximize their power *vis-à-vis* others; (4) war is natural and inevitable; (5) international relations is a zero-sum game in which states are more concerned with their relative gains (how much one gains *vis-à-vis* another is more important than the fact that everybody may gain something); (6) international institutions do not regulate the behaviour of states very much; and (7) the key to international order is the balance of power, pursued through self-help and alliances. Realists are criticized for ignoring the role of non-state or transnational actors, and failing to account for the impact of economic interdependence and international institutions in constraining the policies and actions of states and promoting co-operation. A later version of Realism pioneered by Kenneth Waltz, called neo-Realism, stresses the importance of the structural properties of the international system, especially the distribution of power, as the chief determinant of conflict and order, thereby downplaying the impact of human nature (emphasized by classical Realists) or domestic politics in international relations.
6. For important contributions to an explicit or implicit Realist framework for analysing regional order in the Asia-Pacific, see Barry Buzan and Gerald Segal, "Rethinking East Asian Security", *Survival* 36, no. 2 (Summer 1994): 3–21; Tim Huxley, "Southeast Asia in the Study of International Relations: The Rise and Decline of a Region", *Pacific Review* 9, no. 2 (1996); Michael Leifer, *The ASEAN Regional Forum*, Adelphi Paper no. 302 (London: International Institute for Strategic Studies, 1996); and Paul Dibb, *The New Balance of Power in Asia*, Adelphi Paper no. 295 (London: International Institute for Strategic Studies, 1995).
7. Ernst B. Haas, "War, Interdependence and Functionalism", in *The Quest for Peace: Transcending Collective Violence and War among Societies, Cultures and States*, edited by Raimo Vayrynen (Beverley Hills: Sage Publications, 1987); and Barry Buzan, "Economic Structure and International Security: The Limits of the Liberal Case", *International Organization* 38, no. 4 (Autumn 1984).
8. For an analysis of the place of economic issues in the *national security* agenda, especially from a Realist perspective, see Robert Gilpin, "Economic Interdependence and National Security in Historical Perspective", in *Economic Issues and National Security*, edited by Klaus Knorr (1977), pp. 47–63; and Stephen D. Krasner, "National

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Security and Economics", in *National Security Affairs: Theoretical Perspectives and Contemporary Issues*, edited by B. Thomas Trout and James E. Harf (New Brunswick: Transaction Books, 1982), pp. 313–28. See also Barry Buzan, "The Interdependence of Security and Economic Issues in the New World Order", in *Political Economy and the Changing Global Order*, edited by Richard Stubbs and Geoffrey Underhill (Toronto: McClelland & Stewart, 1994), pp. 89–100; and Joseph J. Romm, *Defining National Security: The Non-Military Aspects* (New York: Council on Foreign Relations Press, 1993), pp. 51–80.

9. Jean-Pierre Lehmann, "The Impact of Economic Interdependence on Regional Security in East Asia" (Paper presented to the Conference on "The Economics of East Asian Security", organized by the International Institute for Strategic Studies, London, the Chinese Council for Advanced Policy Studies, Taipei, and the Canadian National Committee of the IISS, Vancouver, 4–5 March 1997).
10. Mearsheimer, op. cit., p. 7.
11. Leifer, op. cit., pp. 53–54.
12. The Institutionalist literature on the Asia-Pacific is vast. For even theoretically-oriented perspectives more sympathetic to the Institutionalist agenda, while acknowledging its limitations, see Richard Higgott, "Asia-Pacific Economic Co-operation: Theoretical Opportunities and Practical Constraints", *Pacific Review* 6, no. 2 (1993): 103–18; Amitav Acharya, "A Regional Security Community in Southeast Asia?", *Journal of Strategic Studies* 18, no. 3 (1995): 175–200; Miles Kahler, "Institution-Building in the Pacific", in *Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Region*, edited by Andrew Mack and John Ravenhill (St Leonards, Australia: Allen and Unwin, 1994), pp. 16–39; David Rapkin, "Leadership and Co-operative Institutions in the Asia-Pacific", in *Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Region*, edited by Andrew Mack and John Ravenhill (St Leonards, Australia: Allen and Unwin, 1994), pp. 98–129; and Khong Yuen Foong "Making Bricks without Straw in the Asia Pacific?", *Pacific Review* 10, no. 2 (1997).
13. For Institutionalist perspectives with a Constructivist orientation, see Amitav Acharya, "Ideas, Identity and Institution-Building: From the 'ASEAN Way' to 'Asia Pacific For Way'?", *Pacific Review* 10, no. 3 (1997): 319–46; Amitav Acharya, "Collective Identity and Conflict Management in Southeast Asia", in *Security Communities*, edited by Emmanuel Adler and Michael Barnett (Cambridge: Cambridge University Press, 1998), pp. 198–227; Khong Yuen Foong, "ASEAN and the Southeast Asian Security Complex", in *Regional Orders: Building Security in a New World*, edited by David A. Lake and Patrick M. Morgan (University Park: The Pennsylvania State University Press, 1997), pp. 318–39; Alistair Iain Johnston, "The Myth of the ASEAN Way? Explaining the Evolution of the ASEAN Regional Forum", in *Imperfect Unions: Security Institutions in Time and Space*, edited by Helga Haftendorn, Robert Keohane and Celeste Wallander (London: Oxford University Press, forthcoming); and Alistair Iain Johnston, "Socialization in International Institutions: The ASEAN Regional Forum and IR Theory" (Paper delivered at the conference on "The Emerging International Relations of East Asia", University of Pennsylvania, May 1998).
14. It is important to distinguish between Liberalism, Liberal Institutionalism, and Neo-Liberal Institutionalism. Classical Liberalism, associated with Immanuel Kant, John Stuart Mill, and Woodrow Wilson, rested on three pillars: (1) commercial Liberalism, or the view that economic interdependence, especially free trade, reduces the prospect of war and the utility of force; (2) republican Liberalism, or the "democratic peace" argument which assumes that liberal democracies are more

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peaceful than autocracies, or at least seldom fight one another; and (3) Liberal Institutionalism, which focuses on the contribution of international organizations in managing conflict and promoting co-operation. A modern variant of Liberal Institutionalism is Neo-Liberal Institutionalism. Unlike classical Liberalism, which took a benign view of human nature, Neo-Liberal Institutionalism accepts the realist premise that the international system is anarchic and that states are the primary, if not the only, actors in international relations. But it disagrees with Realism by arguing that international institutions, broadly defined — including regimes and formal organizations — can mitigate anarchy, and constrain state behaviour by promoting norms of conduct, facilitating information-sharing, and reducing transaction costs. Robert Keohane, "International Institutions: Two Approaches", *International Studies Quarterly* 32, no. 4 (December 1988); and Robert Keohane, *International Institutions and State Power: Essays in International Relations Theory* (Boulder, CO: Westview Press, 1989). For a critique, see Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism", *International Organization* 42, no. 3 (Summer 1988).

15. On Constructivism, see Alexander Wendt, "Collective Identity Formation and the International State", *American Political Science Review* 88, no. 2 (June 1994); Alexander Wendt, "Constructing International Politics", *International Security* 20 (Summer 1995): 384–96; and Jeffrey T. Checkel, "The Constructivist Turn in International Relations Theory", *World Politics* 50 (January 1998): 324–48.
16. Peter Katzenstein, ed., *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press, 1996).
17. Nirmal Ghosh, "Why Manila Needs Military Pact With US", *Straits Times*, 5 August 1998, p. 18.
18. Lee Siew Hua, "S'pore, US Formalise Berthing Pact", *Straits Times*, 12 November 1998, p. 2.
19. The ASEAN countries have acknowledged China's positive role in the economic crisis. As the Malaysian Foreign Minister put it, "Asean is grateful to China for all its assurance not to devalue the renminbi despite pressures upon it to do so." "Abdullah: China Can Help Asean to Rally", *New Straits Times* (Kuala Lumpur), 29 July 1998 (http://ftdasia.ft.com/info-api/sh).
20. "China Improves Ties With ASEAN Through Manila Conference", China Business Information Network, 30 July 1998 (http://ftdasia.ft.com/info-api/sh).
21. *Beyond the Asian Financial Crisis: Challenges and Opportunities for U.S. Leadership* (Washington, D.C.: USIP, April 1998), p. 15.
22. John Chipman, "Asian Security in the Context of the Asian Economic Situation", (Lecture delivered to the Yomiuri International Economic Society, Tokyo, 18 September 1998), p. 11.
23. Mahathir subsequently criticized Japan for "slowness and excessive red tape" in the disbursement of the aid, adding: "By the time Malaysia eventually gets to see the money, the crisis will be over", *Straits Times*, 14 January 1999, p. 19.
24. "Trade Surplus Rises for the 17th Month in a Row", *Straits Times* (Online), 22 September 1998 (http://straitstimes.asia.1.com.sg/).
25. Paul Dibb, "The End of the Asian Miracle? Will the Current Economic Crisis Lead to Political and Social Instability", *SDSC Newsletter* (Spring 1997–Summer 1998), p. 2.
26. *Straits Times*, 3 August 1998, p. 21.
27. *Straits Times*, 16 September 1998, p. 1.
28. *Straits Times*, 5 August 1998, p. 16.
29. *Straits Times*, 29 August 1998, p. 3.

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30. Joyce Liu, "Singapore–Malaysia Ties Head Towards New Low", *Bangkok Post*, 21 September 1998, p. 11.
31. Asked to comment on the severity of the crisis in Singapore–Indonesia relations, Lee Hsien Loong stated: "I don't think it will be a military problem. It is not that sort of situation." *Straits Times*, 10 October 1998, p. 46.
32. In the words of Singapore's Minister of State for Defence, Matthias Yao: "The region is besieged by the economic crisis and this has resulted in social and political turmoil in some countries." Referring to the "turn for the worse" in Singapore–Malaysia relations, he contended that "If we let our guard down, a small country like Singapore cannot afford a second chance." "Singapore Cannot Let Guard Down", *Straits Times*, 19 October 1998, p. 16.
33. Yeo also commented that "If at a time like this, our SAF officers are weak-kneed, then we might as well pack up", *Straits Times*, 4 August 1998, p. 21.
34. *Straits Times*, 6 August 1998, p. 3.
35. *International Herald Tribune*, 18 September 1998, p. 6.
36. Mike M. Mochizuki, "The East Asian Economic Crisis: Security Implications", *Brookings Review*, 22 June 1998, p. 30.
37. "In Search of a Better Life: More Workers Likely to Emigrate", *Bangkok Post*, 22 July 1998 (http://ftdasia.ft.com/info-api/sh).
38. Ibid.
39. "Downer Sees Aggravated Illegal Cross-Border Migrant Flows Around Asia", *AFX News* (Associated Press), 2 August 1998 (http://ftdasia.ft.com/info-api/sh),
40. Lee Hsien Loong, Deputy Prime Minister, quoted in the *Straits Times*, 10 October 1998, p. 46.
41. Keynote Address at the 20th Federation of ASEAN Economic Associations (FAEA) Conference, Singapore, 7 December 1995
42. Most Institutionalist theories assume that international co-operation is driven by "absolute gain" concerns, meaning that each side cares only about how much it can get out of a deal, without paying much attention to how much the other parties are getting. Realists see this as a false assumption; the decision to co-operate is based not just on consideration by each side of its individual gain, but also on how well it does compared to the other side. For a fuller discussion of the relative gain problem, see Michael Mastanduno, "Do Relative Gains Matter? America's Response to Japanese Industrial Policy", *International Security* 16, no. 1 (Summer 1991): 73–113; Joseph Grieco, "The Relative-Gains Problem for International Relations", *American Political Science Review* 87, no. 3 (September 1993); and Robert Powell, "Absolute and Relative Gains in International Relations Theory", *American Political Science Review* 87, no. 4 (December 1991).
43. "Singapore Must Think of Long-Term Ties", *Straits Times*, 4 August 1998, p. 3.
44. *Straits Times*, 15 September 1998, p. 2.
45. Desmond Ball, "Regional Maritime Security" (Paper prepared for a conference on Oceans Governance and Maritime Strategy, Canberra, 18–19 May 1998), p. 1.
46. *Straits Times*, 28 August 1998, p. 2.
47. "Singapore-KL Problems 'Not Alarming' ", *Straits Times*, 21 September 1998 (http://ftdasia.ft.com/info-api/sh).
48. These figures are taken from Desmond Ball, "Regional Maritime Security" (Paper prepared for a Conference on Oceans Governance and Maritime Strategy, Canberra, 18–19 May 1998), pp. 12–13.
49. "Asian Crisis Hits Defence Spending", *Straits Times*, 14 July 1998 (reproduced from *Strategic Comments* [London: International Institute for Strategic Studies]); *Beyond the Asian Financial Crisis* (Washington: USIP, April 1998), p. 11.

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50. Ibid.
51. Steven Sasser, "Tigers on the Brink", *Straits Times*, 9 December 1997.
52. Derek da Cunha, "Concerns Loom Over Security", *Sunday Times* (Singapore), 19 July 1998, p. 44; "Asian Crisis Hits Defence Spending", *Straits Times*, 14 July 1998 (reproduced from *Strategic Comments* [London: International Institute for Strategic Studies]).
53. *Beyond the Asian Financial Crisis* (Washington: USIP, April 1998), p. 11.
54. Desmond Ball, "Arms and Affluence: Military Acquisitions in the Asia-Pacific Region", *International Security* 18, no. 3 (Winter 1993–94): 78–112; and Amitav Acharya, *An Arms Race in Post-Cold War Southeast Asia: Prospects for Control*, Pacific Strategic Papers, no. 7 (Singapore: Institute of Southeast Asian Studies, 1994).
55. For an overview of the impact of the Asian economic crisis in fostering divisions as well as unity in ASEAN, see Derek da Cunha, "Division and Unity: ASEAN During the Asian Crisis" (Paper presented to the 1998 International Conference of the Korean Association of International Studies, Seoul, 13–14 November 1998).
56. "Out of Depth", *Far Eastern Economic Review*, 19 February 1998, p. 25.
57. "The Limits of Politeness", *The Economist*, 28 February 1998, p. 43.
58. "Beggars and Choosers", *The Economist*, 6 December 1997, p. 43.
59. Ibid., p. 43.
60. Richard Higgott, *The Asian Economic Crisis: A Study in the Politics of Resentment*, CSGR Working Paper No. 02/98 (Centre for the Study of Globalization and Regionalization, University of Warwick, March 1998)
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63. Gerald Segal, "Networked Security: Why We Do Not Need a New Security Framework for East Asia", *Journal of East Asian Affairs* 9, no. 2 (Summer/Fall 1998): 503.
64. "Kim Wants Regional Grouping To Handle Conflicts", *Straits Times*, 13 November 1998, p. 28.
65. On the prospects for an Asian concert, see Brian Job, "A Matter of Delicate Diplomacy: The Prospects for a Concert of Powers in the Asia Pacific" (Paper presented to the 37th Annual Meeting of the International Studies Association, San Diego, 1996); and Susan Shirk, "Asia-Pacific Regional Security: Balance of Power or Concert of Powers?", in *Regional Orders: Building Security in a New World*, edited by David Lake and Patrick Morgan (University Park, Pennsylvania: Penn State University Press, 1997), pp. 245–70.
66. See Amitav Acharya, "Reordering East Asia: Co-operative Security or Concert of Powers" (Manuscript, 1998).
67. "The Limits of Politeness", *The Economist*, 28 February 1998, p. 43.
68. "Surin Pushes 'Peer Pressure' ", *Bangkok Post*, 13 June 1998, p. 5.
69. Ibid.
70. "Thais Retract Call for Asean Intervention", *Straits Times (Internet Edition)*, 27 June 1998.
71. "ASEAN Loses Critic Anwar", *Asiaweek*, 18 September 1998, p. 54.
72. "Asean Unity Comes First", *Straits Times* (editorial), 5 August 1998, p. 34.
73. "Stop Meddling, Says KL", *Straits Times*, 21 October 1998, p. 1.
74. "What E. Asia Can Learn from the EU", *Straits Times*, 10 July 1998, p. 48.
75. "EU-Style Asean Possible", *Straits Times*, 19 August 1998, p. 21.
76. For an important review of the debate on democratic peace suggesting compelling reasons why shared liberal democratic political systems may be an important condition for effective international institutions and durable security communities,

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see Bruce Russett, "A Neo-Kantian Perspective on Democracy, Interdependence and International Organizations in Building Security Communities", in *Security Communities*, edited by Emmanuel Adler and Michael Barnett (Cambridge: Cambridge University Press, 1998), pp. 368–94.

77. See Amitav Acharya, "Democratising Southeast Asia: Economic Crisis and Political Change", Working Paper No. 87 (Perth: Murdoch University, Asia Research Centre, August 1998).
78. Amitav Acharya, "Is Democracy Best?", *Asiaweek*, 23 October 1998, p. 80.
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80. See Russett, "A Neo-Kantian Perspective", p. 389. See also Edward Mansfield and Jack Snyder, "The Effects of Democratization on War", *International Security* 20, no. 4 (Spring 1996): 196–207.
81. Amitav Acharya, "Human Rights and Regional Order: ASEAN and Human Rights Management in Southeast Asia", in *Human Rights and International Relations in Asia-Pacific*, edited by James Tang (London: Frances Pinter, 1995), pp. 167–82.
82. Acharya, "Democratising Southeast Asia: Economic Crisis and Political Change", p. 4.
83. Robert Cox's work provides much of the philosphical inspiration for such "critical" rethinking of multilateralism. See especially his, "Multilateralism and World Order", *Review of International Studies* 18 (1992): 161–80.
84. Important examples of such work include Arif Dirlik, *What is In a Rim?: Critical Perspectives on the Pacific Region Idea* (Lanham, Md: Rowman and Littlefield, 1998); and Mitchell Bernard, "Regions in the Global Political Economy: Beyond the Local-Global Divide in the Formation of the Eastern Asian Region", *New Political Economy* 1 no. 3 (1996): 335–53.
85. For a fuller argument concerning this, see Amitav Acharya, "Institutionalism Versus the Balance of Power in Asia" (Manuscript, 1999).

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ASEAN, *Quo Vadis*? Domestic Coalitions and Regional Co-operation

ETEL SOLINGEN

This article advances a coalitional approach to understanding ASEAN co-operation as a product of the domestic political forces that conceived and nurtured it. Pivotal leaders throughout the region forged supportive internationalist coalitions at home that favoured domestic and regional political and economic stability and global access. This strategy demanded accommodation and co-optation of backlash states in the region, in an effort to protect the implementation of internationalist agendas across the domestic, regional, and global spheres. Accordingly, ASEAN's military expenditures were characterized by moderation, defensiveness, and transparency to avoid choking the domestic macroeconomic requirements of an internationalist strategy. The post-1997 regional crisis provides a test of both ASEAN's co-operation and a coalitional interpretation as its driving force.

Introduction

In 1967 Thailand, Singapore, Indonesia, Malaysia, and the Philippines signed the ASEAN Declaration, but the convening of the first summit meeting of heads of state was held only in 1976 (Bali), when they adopted the Concord Declaration and the Treaty of Amity and Co-operation in Southeast Asia. In time, Brunei, Vietnam, Laos, and Myanmar joined, with Cambodia likely to follow soon. The evolution of ASEAN has led to different interpretations of its essence, viability, and future. On the one hand, some scholars have pondered about its strength and durability, and about the extent to which ASEAN represents

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anything beyond "business-as-usual" inter-state politics, of the kind that Neo-Realist approaches have described best.[1] Thus viewed, ASEAN's behaviour — including some co-operation — can be most easily explained in terms of inter-state competition, power balancing, and arms races. On the other hand, ASEAN can be understood as a co-operative regional framework traceable to a converging pattern of domestic politics.[2] This view accommodates robust regional co-operation that eschews military competition and follows the logic of the domestic political forces that created and nurtured it.

The article subjects some key theoretical propositions embedded in the second approach to an empirical overview of ASEAN in recent decades. The section that follows outlines a set of expectations about ASEAN's behaviour, derived from a domestic coalitional perspective. Accordingly, ASEAN can be understood as a regional cluster of "internationalist" coalitions that co-operate with one another to advance their grand strategy, encompassing domestic, regional, and international objectives. The subsequent section examines the historical record from a coalitional viewpoint. Anchoring the analysis of ASEAN on the nature of domestic coalitions does not imply that more classical security dimensions and the role of external powers are irrelevant. Far from it, the global political, strategic, and economic contexts are an integral part of a coalition's grand strategy of political survival at home, even if the confines of this article force only a cursory treatment of this broader context. The conclusion explores the advantages and shortcomings of this perspective, and suggests that the post-1997 regional crisis offers yet another important test of the coalitional interpretation advanced here.

Domestic Coalitions and Internationalist Grand Strategies

The emergence and international behaviour of ASEAN can be interpreted by analysing the domestic political coalitions responsible for ASEAN's genesis and growth. Which domestic coalitions within the ASEAN states saw it to their advantage to establish a co-operative framework rather than a competitive regional structure? As will be argued, the ASEAN states came to be progressively under the control of "internationalist" coalitions and it is the grand strategy of these coalitions that explains why a co-operative regional order evolved over time. A brief overview of coalitional variants and of the relationships among coalitions, grand strategy, and regional outcomes is in order.[3]

The central features of internationalization are openness to international markets, capital, investments, and technology. Internationalization affects individuals and groups in different sectors via

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changes in employment status, labour incomes, and returns on assets, via changes in prices of goods and services consumed, and via the provision of public services. The distributional consequences of internationalization create two ideal-typical political coalitions in each country, one supporting it (internationalist coalitions), the other opposing it (backlash coalitions). Internationalization does not merely pose threats to material interests but also to cultures, identities, and values, and to the interests of political entrepreneurs endangered by both types of threats. Thus, coalitions are not merely about alternative positions *vis-à-vis* economic liberalization but about alternative integrated interpretations of the political-economic and strategic context as it affects domestic coalitional balances. Many internationalist coalitions retain state intervention and industrial policy although they do allow the expansion of private capital — local and international — far more significantly than backlash coalitions. So-called "crony capitalism" defies the internationalist/backlash divide and is therefore compatible with internationalist grand strategies, even if it does not necessarily represent its "best practice."

Internationalist coalitions generally include export-intensive sectors and firms, large banking and industrial complexes (particularly those already involved in foreign trade, investment, lending, and licensing), highly-skilled labour and the labour force employed in competitive industries or firms, the latter's suppliers, "symbolic analysts" oriented towards an open global economic and knowledge (technology) based system, consumers of imported products, state agencies in charge of economic reform (independent central banks, finance ministries, managers of export-processing zones), farm workers and small landowners with an eye on higher producer prices for agricultural exports, and — in democracies — politicians and parties representing the beneficiaries of reform.

Backlash coalitions include import-competing firms and banks closely tied to the state, state-owned enterprises and banks, small businesses, urban unskilled, formal sector blue-collar, white-collar and state employees, under-employed intelligentsia associated with all these groups, the military-industrial complex, threatened state bureaucracies (in planning, industrial policy, capital controls, and import licensing), and quite often civic-nationalist, ethnic, and confessional movements. These coalitions are "log rolled" by political entrepreneurs fearful that internationalization will erode their statist-nationalist or ethno-religious basis of political patronage.

Grand strategies build on synergistic effects across the domestic, regional, and global spheres. Domestically, the grand strategy of internationalist coalitions includes the pursuit of economic policies

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compatible with global access and the decimation of its political opposition. Externally, the strategy is designed to maintain secure access to foreign markets, capital, investments, and technology. Regionally, a co-operative (non-violent) neighbourhood serves the grand strategy in all its aspects, allowing a stable investment environment and appropriate macroeconomic conditions, while avoiding expensive arms races. In contrast, the grand strategy of backlash coalitions seeks to preserve allocations to military and other protected (mostly statist) industrial complexes, and to weaken internationalist adversaries at home. Externally, they resist pressures for internationalization while challenging an array of international regimes depicted as anathema to nationalist objectives. Regionally, a context of insecurity and competition helps sustain their grand strategy. On the other hand, regional co-operation threatens backlash coalitions because it compels reduced allocations to the military and weapons-producing enterprises, and a devalued role for civic-nationalist and ethno-religious myth-making as a political currency.

Coalitions are constrained internally and externally in their ability to implement their grand strategy. Internally, they are constrained by their relative strength *vis-à-vis* their domestic challengers. Externally, they are constrained by regional coalitional balances of power, which are defined by the identity, strength, and interactive dynamics with coalitions in neighbouring states. Taking note of the regional context can thus illuminate a coalition's behaviour and its interaction with others in the region. The scope and nature of regional conflict and co-operation is influenced by the homogeneity/heterogeneity of the regional order in coalitional terms. Thus, higher and more extensive levels of co-operation can be expected where internationalist coalitions prevail throughout a given region compared to areas where backlash, or mixed, competing internationalist and backlash neighbours face one another, as in the Middle East and South Asia. Clusters of internationalist coalitions are characterized by extensive and intensive co-operation, that is, co-operation across various issue-areas and with a deepening level of commitment. In the realm of security, relations between internationalist coalitions are characterized by a number of features.

First, domestic considerations of political survival drive economic rationalization — and military downsizing — as much as external factors. Therefore, there is a virtual built-in guarantee that fellow internationalist coalitions will be, *ceteris paribus*, reluctant to defect through militarized strategies. Internationalist dyads and clusters must tame territorial or ethno-religious disputes for their grand strategies eschew militarized conflict. The potential for armed conflict and extensive military build-ups threatens the economic and political

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fundamentals — fiscal conservatism, macroeconomic, political, and regional stability, access to capital, technology, and markets — that an internationalist strategy requires. Secondly, the mutually reinforcing domestic and interactive (regional) inducements to allay conflict reduce transaction costs in relations between internationalist coalitions. Agreement on issues under dispute is easier to reach, and there is less need to monitor or punish compliance or improve information. This transparency is highest where internationalist grand strategies are more fully in place and their political agents more strongly entrenched — conditions that are, of course, interrelated. Thus, internationalist coalitions beget the conditions for self-sustained, rather than externally-imposed, regional co-operation. In addition, these features make concert-like multilateralism more efficient and dense institutionalization less necessary (but certainly not impossible).

In the realm of economic co-operation, strong internationalist coalitions transfer their domestic programmes to the regional arena. Regional co-operative regimes emerge that serve the purposes of strengthening the internationalist model at home while disabling its opposition, and lubricating external ties to the global political economy. The need to harmonize product standards and legal and administrative infrastructures deepens the institutional links and interdependence among internationalist coalitions. They thus embrace trade-creating schemes that emphasize positive regional and global externalities compatible with "open regionalism". Regional economic integration is not always required for co-operative relations to be maintained, although an absolute increase in regional trade and investment often results from interacting internationalist partners. For instance, where competitive — rather than complementary — economies are involved (as in ASEAN), the drive for integration is initially weaker. However, even in the absence of dramatic economic benefits from bilateral economic interactions, internationalist coalitions find it in their interest to maintain overall co-operative relations. The underlying logic of co-operation is global access, with regional arrangements serving only as stepping-stones subordinated to that logic. Naturally, where the credibility of the internationalist agenda throughout the region is questionable (as has been the case in Latin America's Southern Cone, or the Middle East) formal regional arrangements in the direction of freer trade can, of course, signal a more believable commitment to extra-regional investors.

It is now time to reaffirm two obvious qualifications. First, the domestic impact of internationalization is far more complex and unpredictable than stipulated by any existing theory. Secondly, the distance between ideal and empirical coalitional types can be wide, as expected in social science abstractions, while hybrid forms abound.

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With this in mind, ASEAN's record must be considered as an approximation, not quite an ideal-typical, internationalist cluster, with some members falling under the hybrid category, particularly in the earlier stages of ASEAN evolution, and most prominently in the case of Malaysia.

Evolution of an Internationalist Cluster in the Core ASEAN States

The framework developed thus far helps to explain the evolution of ASEAN as a regional cluster of internationalist coalitions that co-operated with one another to advance their domestic, regional, and international objectives. By the late 1970s, several ASEAN states came to be dominated by political entrepreneurs who were able to develop and coalesce internationalist constituencies (favouring foreign direct investment, natural resource and manufacturing exports) together with more traditional import-substituting interests (particularly in Indonesia, and notably automobiles in most ASEAN states). The political power of internationalist constituencies grew significantly by the 1980s, in tandem with the growth of private entrepreneurship, progressive internationalization, and the ability to maintain economic growth.[4] In time, and in most cases, a burgeoning middle class — with vested interests in political stability — came to support the internationalist strategy, even as it began questioning the legitimacy of its political agents.[5] Radical nationalist and ethno-religious groups were, for the most part, marginalized by these coalitions, preventing exclusivist political forms from undermining domestic, global, and regional purposes.

In Indonesia, following the ruthless repression of forces backing Soekarno, the PKI (Communist Party of Indonesia), and Islamic contenders, Soeharto set out in the late 1960s to organize a new coalition that would rule Indonesia for the subsequent 25 years. His pivotal partners in the New Order (*Orde Baru*) were a small group of industrial entrepreneurs (mostly ethnic Chinese) and the armed forces (ABRI, which was purged and refashioned). In time, the coalition came to include a tame Islamist movement — the Indonesian Muslim Intellectual Association — with ties to *pribumi* (native Indonesian) economic groups. Soeharto's coalition turned Soekarno's grand strategy (an early backlash exemplar) on its head. Replacing Soekarno's inward-looking Nasser-style statism and a rhetoric condemning the global economy, Soeharto launched an export-led strategy of integration into the global economy, seeking Japanese, United States and other Western trade and investment partners, applying International Monetary Fund (IMF) stabilization plans, and reducing state enterprises.[6] Furthermore, instead of

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konfrontasi (confrontation), Soeharto proclaimed that "the creation of regional stability and cooperation in Southeast Asia will get first priority," pointing to the links between his regional co-operative thrust and his attempt to reverse Soekarno's economic model at home.[7] Although Soeharto's strategy benefited primarily his own nepotistic and patrimonial coalitional basis, economic growth in time co-opted growing segments of Indonesian society. Average trade openness (TO) — imports plus exports as a percentage of gross domestic product (GDP) — under Soekarno had been about 21 per cent, declining to 18 per cent between 1960 and 1965.[8] Immediately after Soeharto's coup, TO jumped from as low as 10 per cent in 1964 to about 33 per cent (of a US$6 billion GDP) in 1966, but it was only in the late 1970s that TO climbed to more than 50 per cent of GDP (US$78 billion in 1980). Net foreign direct investment (FDI) inflows grew tenfold between 1970 and 1989.

Under Prime Minister Lee Kuan Yew, Singapore's People's Action Party (PAP) implemented a high-growth strategy pivoted on economic stability and low inflation. Following the forced separation from the Federation of Malaysia in 1965, the centrality of an export-led model to political survival became evident. Lee's coalition thus shifted gears towards a strategy linking domestic prosperity and stability, global reach, and regional peace and stability through ASEAN.[9] The PAP abandoned its socialist roots and co-opted trade union leadership, promising stability in exchange for discipline and low wages. State agencies (statutory boards) and enterprises emerged to spearhead the new strategy in the absence of strong private local entrepreneurship. Singapore's openness to FDI doubled the share of FDI in gross domestic investment, from 33 per cent in 1966 to 68 per cent in 1980. Restrained money supply and stable and appreciating foreign exchange rates pre-empted inflation. In a relatively short time, the policy bore its expected fruit. Already high exports-to-GDP ratios of 115 per cent and higher in the late 1960s increased to more than 200 in the 1990s. Singapore's TO doubled between 1971 and 1980, to nearly 425 per cent. FDI inflows, which had averaged US$1.7 billion in the 1970s and 1980s, nearly doubled from US$5.5 billion in 1990 to US$9.4 billion in 1996.

Malaysia's Mahathir bin Mohamad relied on a more hybrid coalitional form (Barisan Nasional) that included import-substituting, heavy-industry, public enterprise, and export-oriented manufactures representing primarily Malays-first (Muslim *bumiputera*) constituencies aggregated in UMNO (the United Malays National Organization). The Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC) were subordinated partners in the ruling coalition, as were smaller Malay parties. Although the New Economic Policy was a

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discriminatory system favouring *bumiputera* supremacy at the expense of Chinese and Indian minorities, for the most part it shunned extreme forms of ethno-nationalism.[10] By the early 1970s, an export orientation (initially based on primary commodities) had already been overlaid onto moderate import-substituting and heavy industry promotion policies, in an effort to attract transnational capital to counter domestic ethnic Chinese capital. By the mid-1980s, the coalitional balance had shifted away from this hybrid form in favour of deepened internationalization with a moderate decline in ethnic ownership quotas. Declines in government expenditures—particularly development and military budgets — hurt the *bumiputera* the most.[11] At the same time, a new Malay middle class (*Melayu baru*) became an active component of coalitional politics. During Mahathir's more inward-looking phase (1980–87), Malaysia's TO remained at slightly over 105 per cent on average, and exports/GDP at below 55 per cent on average. Government final consumption as a percentage of GDP grew from 15 per cent to 19 per cent by 1982, returning to 15 per cent by the end of the period. During the more open phase (1987 onwards, particularly following the 1990 National Development Policy) exports-to-GDP ratios grew to over 77 per cent on average. FDI inflows averaged US$1.6 billion yearly from the 1980s onwards, rising dramatically in the early 1990s. Mahathir turned government deficits of 15 per cent of GDP in the late 1970s to a surplus in the early 1990s. "The concept of free enterprise...is the philosophical basis of ASEAN", declared Malaysia's Foreign Minister, although ethnic Chinese segments question that commitment.[12]

Thailand's ruling coalition of military and technocratic allies came to include industrial entrepreneurs under Sarit in the 1960s, and eventually the middle class. The 1970s reflected a succession of weak and unwieldy coalitions. As in the other ASEAN states, export-intensive entrepreneurs had gained the upper hand by the late 1980s. Under Prime Minister Prem Tinsulanonda, a joint Public-Private Sector Consultative Committee (KRO) deepened internationalization through FDI and export promotion. The coalition's concern with political stability, appeal to foreign investors, and continued economic growth tamed the military's political role, particularly after 1992. Thailand's TO rose sharply in the late 1970s, from slightly over 40 per cent to over 55 per cent, but even more sharply in the late 1980s, reaching nearly 80 per cent by 1990.

In the Philippines, Ferdinand Marcos ran what might be closest to a state racket operation backed by military patronage, which bore only a few of the trappings of an internationalist strategy (mostly subservience to the United States, particularly since the 1970s). Marcos' failure to implement the growth part of the strategy doomed his survival. In the

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aftermath of the "people's power" revolution, new leaders attempted to marginalize the military and usher in economic reforms. Trade openness remained below 50 per cent on average until 1986, when it rose sharply under favourable international conditions, from 45 per cent to nearly 70 per cent by 1992.

On the whole, export-led strategies in Malaysia, Indonesia, and Thailand succeeded with much less emphasis on industrial policy than in South Korea and Taiwan.[13] Private entrepreneurship flourished to an extent virtually unparalleled in other industrializing regions. Mean government final consumption for ASEAN as a group oscillated between 11 per cent of GDP in the early 1970s to 12.5 per cent in the early 1980s, declining to 10 per cent in the early 1990s but rising since. In contrast, mean government final consumption as a percentage of GDP for the Middle East states was twice that of ASEAN in the early 1970s, three times larger throughout the late 1970s and late 1980s, returning to twice as large only after reform efforts in the early 1990s.[14] Mean government deficits for ASEAN were around 3 per cent of GDP during the 1970s and early 1980s (long before Maastricht became history), turning to a surplus by the late 1980s. For the ASEAN states as a group, TO rose from about 80 per cent in 1971 to 140 per cent by 1980. Following a decline in the early 1980s, TO returned to 140 per cent by the end of the 1980s. FDI for the group as a whole rose slowly in the 1970s but sharply in the late 1980s and early 1990s.

A no less important consideration in the maintenance of stable growing economies is the role of military expenditures. Patterns of military expenditures throughout ASEAN — low growth relative to GDP growth, defensive nature, and transparency in military acquisitions —reflected the objectives of internationalist coalitions. Military expenditures were not allowed to trample the domestic macroeconomic requirements of their grand strategy: price stability and hospitable conditions for international investments. Military expenditures remained on a par with — or lower than — the international average for industrializing states. Indeed, even as they faced a threatening regional environment, ASEAN expenditures were one-fourth to one-fifth that of Middle Eastern states. ASEAN's mean military expenditures as a group never reached 5 per cent of GDP at their height in the late 1970s to early 1980s and declined quite dramatically thereafter to 2.8 per cent of GDP in 1990 (see Figures 1 and 2).[15]

Soekarno's military expenditures in the early 1960s averaged 5.4 per cent of GDP whereas his successor Soeharto averaged 3 per cent in the 1970s to 1980s and 1.2 per cent in the late 1980s to early 1990s, in tandem with a deepening of Indonesia's internationalist drive. The New Order government specifically proscribed competitive military

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FIGURE 1
ASEAN: Mean Military Expenditures

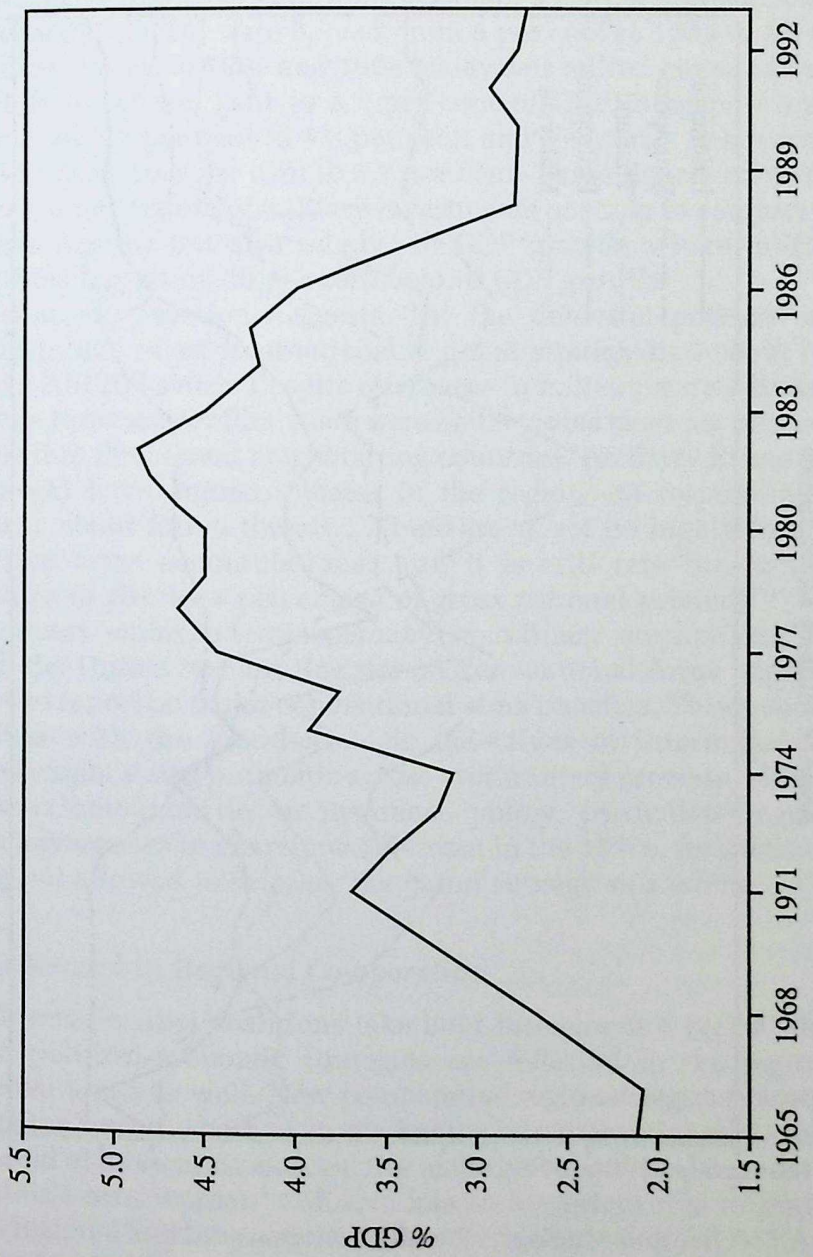

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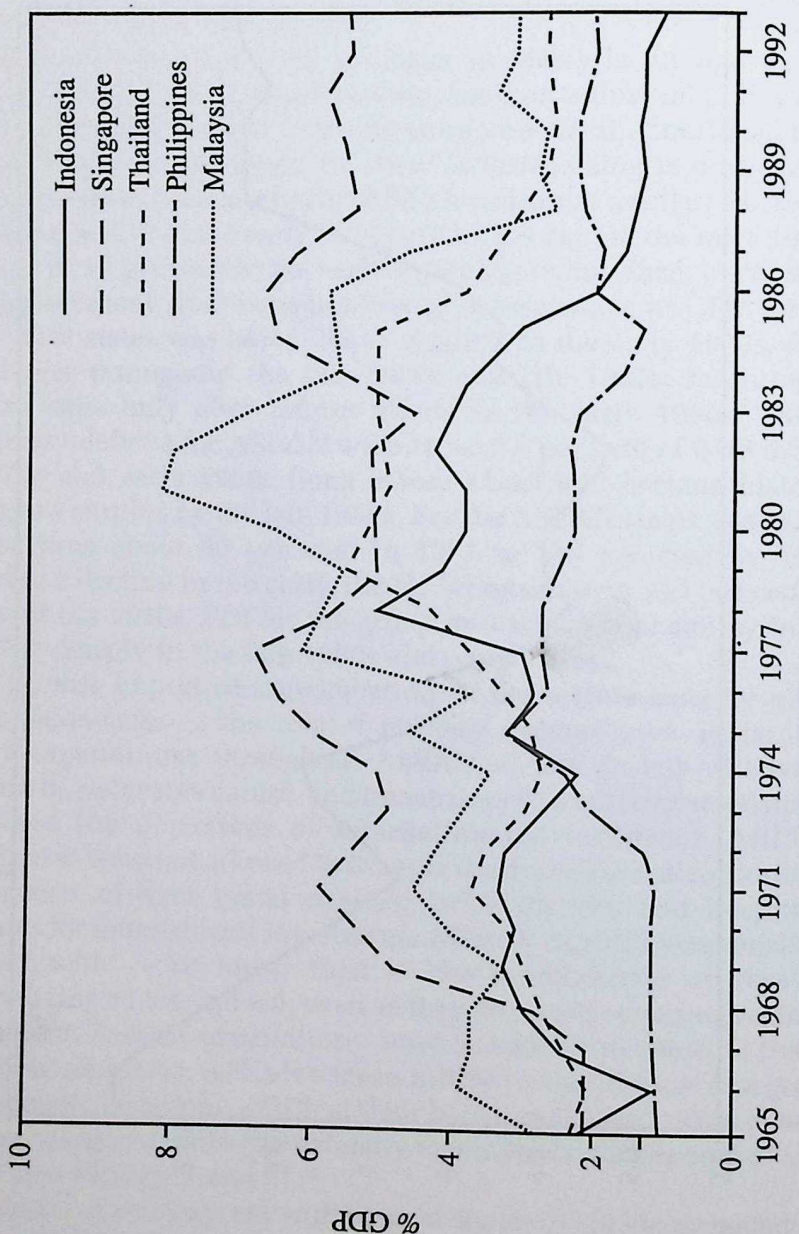
FIGURE 2
ASEAN: Military Expenditures



Sources: SIPRI Yearbooks (1979, 1984, 1986, 1988, 1996).

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allocations that could undermine the political-economic model, although it allowed military involvement in economic activities that provided it with off-budget funds, a pattern born under Soekarno. Even under a military-backed domestic coalition, Thailand's military expenditures as a percentage of GDP were halved, from 5 per cent in 1985 to 2.6 per cent in 1994. Between 1985 and 1994 Malaysia's military expenditures declined from 5.6 per cent to 3.7 per cent of GDP, Singapore's and Brunei's from 6.7 per cent to 4.8 per cent, and Vietnam's (a latecomer to ASEAN) from 19.4 per cent to 5.7 per cent. These figures confirm a rather restrained pattern of military investments not only in comparison with other regions but also relative to GDP growth, where military expenditures lagged by 50 per cent behind GDP growth.

In sum, this section suggests that the domestic political and economic pillars of an internationalist grand strategy had taken root among the ASEAN states. Despite references to military acquisitions as the prelude to armed conflict, there were neither arms races nor offensive build-ups that threatened neighbouring countries. As Barry Buzan and Gerald Segal have argued: "States in the region are responding to uncertainty about future threats....There are as yet no highly focused competitive arms accumulations...and it is still rare for military expenditure to rise as a percentage of gross national product."[16] The ASEAN states embraced transparency in military acquisitions and endorsed the United Nations Register on Conventional Arms requiring countries to report on major conventional arms transfers. This record is compatible with the grand-strategic objectives of internationalist coalitions emphasizing economic access over military prowess. Military investments amounted to an insurance policy, particularly against backlash adversaries in the region (Vietnam in the 1970s, for instance), but were not allowed to smother the grand strategy as a whole.

ASEAN's Record in Regional Co-operation

Where internationalist coalitions take hold throughout a region, their domestic political-economic strategies are reflected in the regional institutional arena as well. New co-operative regional regimes emerge that serve the purpose both of strengthening the internationalist model at home, and of lubricating external ties to the global political economy.[17] In Mahathir's own words: "ASEAN...has an important role to play in national, regional and international affairs."[18] Soeharto defined ASEAN's essence in 1976: "The stability of each member state and of the ASEAN region is an essential contribution to international peace and security. Each member resolves to eliminate threats posed by subversion to its stability, thus strengthening national and ASEAN resilience."[19] The

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repression of domestic armed insurgencies (in the Philippines, Thailand, and Indonesia, in East Timor) was tolerated both to strengthen the ruling coalitions and to preclude the diffusion of instability and the potential erosion of ASEAN's collective appeal to foreign investors.

In the economic realm, global access and *concerted* unilateral liberalization, not defensive intra-regional trade, was the objective. By the early 1990s, intra-ASEAN trade accounted for no more than 18 per cent of ASEAN's total trade, and intra-ASEAN investment (mostly from Singapore) for less than 10 per cent of the total. Multinational investors have been most active in the push for regional integration. Only in 1993 was the ASEAN Free Trade Area (AFTA) agreed upon, designed to free trade in manufactured and processed goods by 2003.[20] Defined as "open regionalism," the approach seeks to enhance regional economic exchange without violating the legal requirements embedded in the World Trade Organization (most-favoured-nation rule) or discriminating against extra-regional partners. Even at the height of ASEAN's collective internationalist phase in the early 1990s, Malaysia advocated an East Asia Economic Caucus that would exclude "non-East Asian" states, a proposal that ASEAN rejected in consonance with "open regionalism" and global access — principles that ASEAN extended to APEC (Asia-Pacific Economic Co-operation) through the Kuching Consensus (1990). The mixed nature of Mahathir's coalitional backing explains Malaysia's hybrid strategy, straddling internationalism and civic/ethnic nationalism, over time and across issue areas. Mahathir personally concentrated the formulation of Malaysia's grand strategy, now berating and now cajoling Western investments and markets, now threatening to leave the British Commonwealth and now hosting their 1989 meeting and imposing a "buy British first" policy, and all the while wielding Southern (or Eastern) solidarity against Western conspiracies.[21]

In time, ASEAN co-operation deepened into security issues, establishing a positive record of diffusing internal disputes and managing an effective diplomacy on regional matters.[22] Myanmar, Cambodia, Laos, and Vietnam were initially excluded as backlash aberrations but their progressive transformation into would-be internationalists opened the way to inclusion. Vietnam's invasion of Cambodia and its aggressive backlash strategy raised the concerns of several ASEAN partners, particularly Thailand. With the Vietnamese leadership taking a proto-internationalist strategy in the 1990s, the door was opened for its accession to ASEAN — an important component of Vietnam's effort to rebuild its economy. After years of deriding the ASEAN states as "puppets of Western imperialists," and while moving towards economic liberalization and military downsizing, Vietnam acceded to ASEAN's Treaty of Amity and Cooperation in 1992.[23] Myanmar was accepted as

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an observer member in July 1996. ASEAN played an important role in the global effort to stabilize Cambodia. It also rejected external (U.S. and European) intrusion regarding human rights and democratic deficits in Myanmar, stressing ASEAN's abstention from intervening in the domestic affairs of member states. On the whole, ASEAN behaved as an internationalist regional cluster would, begetting the conditions for self-sustained, rather than externally-imposed, regional co-operation even as its members retained hybrid aspects in their grand strategy.

These efforts amounted to a consistent policy of minimizing instability throughout the region, a precondition for the joint implementation of a domestic political strategy based on global reach and foreign investment. In the words of Lee Kuan Yew: "The most enduring lesson of history is that ambitious growing countries can expand either by grabbing territory, people and resources, or by trading with other countries. The alternative to free trade is not just poverty, it is war."[24] Kishore Mahbubani, Permanent Secretary (Policy) of Singapore's Ministry of Foreign Affairs, described how ASEAN coalitions watched closely their ranking in the World Economic Forum's competitiveness tables, and how they understood that "those engaged in civil war and conflict" could not compete well. Quite explicitly, Mahbubani advanced that "the most foolish thing that any East Asian society could do is to...engage in traditional military rivalries."[25]

As argued in the preceding section, existing tensions within ASEAN never amounted to militarized competition or an arms race, even though outstanding disputes remained. These included: 1) Malaysia and the Philippines over the state of Sabah; 2) Malaysia and Singapore over the island of Pedra Branca; 3) Malaysia and Thailand over border-crossing rights; 4) Malaysia and Indonesia over the islands of Sipadan, Sebatik, and Litigan; 5) Malaysia and Brunei over the Limbag territory in Sarawak; and 6) Indonesia and Vietnam over the boundary close to the Natuna Islands.[26] Disputes over maritime boundaries and other issues have been handled in ways that do not upset the common regional strategy. The Philippines, for instance, recalled its ambassador to Singapore in 1995, in the wake of the execution of a Philippine maid accused of murder, but tension subsided thereafter.

In the early 1990s, the dispute over the potentially oil-rich Spratly Islands between China and the ASEAN states (Vietnam, Brunei, Malaysia, Indonesia and the Philippines) gained prominence. Vietnam and China also have contending claims to the Paracel Islands. In 1987, China's navy constructed observation stations in the Spratly Islands and Chinese military forces clashed with Vietnamese forces in the area. In 1992, the Chinese People's National Congress declared that the Spratly Islands were a vital part of China and subsequently occupied

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Da Ba Dau. In June of that year, China landed troops and planted markers in Dac Lac Reef, fixed oil-drilling platforms in disputed areas of the Tonkin Gulf, signed an agreement with a U.S. company to search for oil and gas in the Spratlys, and impounded Vietnamese ships departing from Hong Kong.[27] In 1995, China's naval forces seized Mischief Reef in the Spratlys, and Chinese maps now include most of the South China Sea as a part of China's sovereign territories. These actions appear to reflect the priorities of China's own backlash nationalist elements, including the People's Liberation Army, which favours naval modernization and a blue-water capability. At the same time, the ambiguous, hot-and-cold tactics displayed by China over the Spratlys reveal the continued domestic competition between its internationalist and backlash camps.[28] How did the ASEAN states react to these events?

On the one hand, there have been expressions of concern. Malaysia's military intelligence chief, Raja Rashid, announced publicly "that China's intention was to obtain all of the Spratly island[s]."[29] In 1992, Malaysia's former armed forces chief, General Hashim Mohammed Ali, expressed distress with China's increased military spending and imputed territorial ambitions in the South China Sea. Indonesia's 1995 Defence White Paper noted China's "12 per cent annual economic growth" and its rapid technological changes that might turn China into a dominant regional power. Former Indonesian Foreign Minister Ruslan Abdugani warned of "China's 'expansionist tendency, mainly southward' and noted that Beijing 'has questioned our sovereignty over the natural gas-rich Natuna islands ... included in China's territorial maps'."[30] Vietnam expressed fear of China and — before joining ASEAN — tried to convince ASEAN members that a common interest existed in containing China.[31] Following China's seizure of Mischief Reef, Philippine President Fidel Ramos said that China could pose a grave threat to all of East Asia, and urged all ASEAN members to remain vigilant about developments in the South China Sea. Even Singapore, generally more tamed about China's intentions than other ASEAN countries, has expressed concern about China's military expenditures. Prime Minister Gok Chok Tong was quoted as proclaiming that "[I]n Asia, China's rising power and arms buildup has stirred anxiety. It is important to bring into the open this underlying sense of discomfort, even insecurity, about the political and military ambition of China."[32]

On the other hand, notwithstanding these clear anxieties, all parties to the Spratly dispute have shown a commitment to avoid militarized responses; and warnings of impending conflict have not materialized as of early 1999. A coalitional perspective points to the shared interest of internationalist coalitions — from China to ASEAN — to avoid regional instability of the kind that international investors often punish.

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Accordingly, ASEAN approved a Declaration on the South China Sea at its 1992 annual ministerial meeting, urging all parties with claims to the disputed islands to renounce the use of force and to settle the disputes amicably.[33] Malaysia, Singapore, and Indonesia expanded their trade with China. The ASEAN states also encouraged China's active participation in APEC and in the ASEAN Regional Forum (ARF) hoping that these would tame China's behaviour. Even Vietnam eventually pushed for *rapprochement* with China, its main imputed threat.[34]

ASEAN has not relied on formal dispute-resolution mechanisms, is not a collective security arrangement, and does not yet amount to a security community either.[35] ASEAN has, however, developed a co-operative regional regime on the basis of three principles: respect for state sovereignty, non-intervention, and rejection of the threat or use of force in resolving disputes. These principles were written into the Treaty of Amity and Co-operation and were deemed successful in preventing the outbreak of conflict. As early as 1982, Singapore's Foreign Minister had remarked that "intra-ASEAN disputes have 'become irrelevant or muted considerably'."[36] The Concord Declaration also reaffirmed a commitment to a Zone of Peace, Freedom, and Neutrality (ZOPFAN). ASEAN has also developed several informal mechanisms known as the "ASEAN Way", emphasizing consultation (*musjawarah*), consensual decision-making (*mufakat*), accommodation among members, and informal diplomacy. The consensual rule allows the state which benefits the least from an agreement to influence the terms of the agreement, a principle that contradicts the notion of hegemony by most powerful states.[37] ASEAN has fostered reciprocity and developed confidence-building mechanisms, including bilateral military exercises in dealing with common internal and external enemies. Annual meetings of foreign ministers, summits of the head of states, and a plethora of inter-sessional working committees have helped deepen trust. Since 1992, the ASEAN Post-Ministerial Conferences (PMC) have expanded to include discussions on conflict resolution and the promotion of transparency and confidence-building measures on security matters (notably the arms register). This record makes the ASEAN experience compatible with concert-like multilateralism and thin institutionalization, although internationalist clusters are congruent with denser institutionalization as well.

These achievements account for ASEAN's attempt to expand a seemingly successful model into a broader regional institution, the ASEAN Regional Forum (ARF), created in 1994 to spearhead a dialogue on security matters in the Asia-Pacific region. The ARF has twenty-one members, including the ASEAN countries, South Korea, China, Cambodia, India, Japan, Papua New Guinea, Russia, Australia, New

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Zealand, Canada, the European Union, and the United States. ASEAN considers itself a model for the ARF, which is not designed to formally address specific conflicts. The ARF has promoted dialogue on the Spratly Islands dispute and Korean denuclearization, and has advanced confidence-building measures, including publication of "White Papers" on defence policy and the promotion of high-level contacts and exchanges between military establishments.[38] In 1995, the ARF approved a "Concept Paper" identifying an evolutionary approach towards a conflict-resolution mechanism and reaffirming ASEAN's role as the driving force in the ARF. Michael Leifer suggests that even though a robust balance of power is a primordial consideration in East Asia, a cohesive ARF might still serve a useful role, provided ASEAN accepts a less central role than it has thus far sought.[39]

Finally, although the engine of co-operation is intra-regional, ASEAN leaders have regarded the United States as an important pillar of their internationalist strategy, in both economics and security, and have sought to strengthen their bilateral ties with it in order to alleviate concerns with its military exit from the Philippines. In 1990, Singapore permitted the U.S. Navy to increase its use of naval facilities in Singapore, and in 1992 it allowed a U.S. military logistic facility to move from the Philippines to Singapore. Singapore's air force chief, Brigadier General Bey Soon Khiang argued that "the reduction of American military presence in the Asia-Pacific is likely to be destabilizing."[40] Similar agreements were reached between the United States and Indonesia, and between the United States and Malaysia. Former Indonesian Foreign Minister Mochtar Kusummaatmadja went as far as to suggest that ASEAN might need a formal military alliance in order to cope "with the security vacuum after the U.S. leaves the region."[41] These bilateral arrangements do not compete with, but rather complement, ASEAN's brand of multilateralism.

Conclusion: The Post-1997 Crisis as a New Test

This article has advanced a domestic coalitional approach to understanding ASEAN's behaviour. Accordingly, key political entrepreneurs throughout the region progressively forged supportive internationalist coalitions at home that favoured domestic and regional political and economic stability and global access.[42] Economic growth was the foundation of their grand strategy, embedded in the concept of "national resilience" (*ketahanan nasional*), which, writ large, would endow ASEAN itself with resilience.[43] Since its early years, this strategy demanded an accommodation with backlash states in the region, in an effort to co-opt them and to protect the implementation of ASEAN's

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internationalist agenda across the domestic, regional, and global spheres. In accordance with certain coalitional expectations, ASEAN's pattern of military expenditures was characterized by its moderation (low growth of military expenditures relative to GDP growth) and by its defensive and transparent nature. Military expenditures were not allowed to choke the domestic macroeconomic requirements of an internationalist grand strategy.

Regionally, the ASEAN leaders — backed by their progressively stronger domestic coalitions — developed a pattern of dialogue and accommodation, renouncing the use of force through their Treaty of Amity and Co-operation. At a Bali meeting in 1979, they established far deeper commitments than a mere tactical alliance against Vietnam — commitments that endured well beyond the threat that triggered them. By the 1980s — in tandem with deepened internationalization — ASEAN leaders had become more domestically secure partners committed to collective protection of their common grand strategy. The 1992 Declaration on the South China Sea and the Post-Ministerial Conference signalled an even stronger pledge to increasing regional transparency and confidence-building. A critical landmark in regional co-operation — the ASEAN Regional Forum — came into being in 1994. Annual informal summits of ASEAN heads of state began in 1995. By 1997, the Southeast Asia Nuclear Weapons-Free Zone Treaty (Treaty of Bangkok) entered into force, aimed at restricting nuclear weapons states from outside the region, none of which had signed the Treaty's protocol by January 1998.

The economic and political crisis since 1997 offers an opportunity to submit this coalitional perspective to a test. As argued, the approach predicts more stable, deeper, and durable co-operative patterns among strong internationalist coalitions in power throughout a region than where backlash coalitions prevail, as in much of the Middle East. Clearly, an internationalist strategy is not without risks but quite vulnerable to domestic and international sources of instability, which explains a tendency to retain hybrid elements.[44] Where internationalist coalitions are feebler at home and threatened by backlash coalitions in the region, the quality of co-operation is more likely to erode in response to these domestic and regional threats. Insofar as backlash forces might gain significant ground domestically, in response to the economic crisis, we might observe changes in regional co-operative patterns, departing from the behaviour typical of preceding years.[45] Such a scenario would be compatible with a coalitional account, as would the scenario of rebounding internationalist coalitions that stay the co-operative course. Although a coalitional perspective suggests tendencies, not deterministic expectations, two other scenarios would point to

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anomalies for coalitional analysis. One addresses a situation where backlash coalitions take over throughout the region and their behaviour produces little change in extant patterns of co-operation. The other anomaly would be if strong rebounding internationalist coalitions upset their earlier co-operative pattern by, for instance, waging a war. Heavy military investments in the midst of an attempt to restore the health of internationalist agendas would be more conceivable where domestic backlash constituencies grow stronger. Such investments seem unlikely under the current circumstances.

As of late 1998 the economic crisis appears to have deepened internationalist strategies in some cases (notably Singapore and Thailand), eroded them in others (prominently Malaysia), while reshuffling the coalitional landscape altogether in Indonesia. Economic contraction and growing unemployment have bred both ethnic hatred (as in the assaults on ethnic Chinese in Indonesia) and civic-nationalist revivals, including the expulsion of foreign nationals from neighbouring ASEAN countries. On the whole, exclusivist forms of civic and ethnic nationalism have remained checked but some tensions have been evident. For instance, relations between Malaysia and Singapore deteriorated significantly as Mahathir imposed capital controls in September 1998, targetting at least in part the 10 billion ringgit held largely by Malaysians in Singapore. Mahathir also restricted Singapore's use of air space in the aftermath of the publication of Lee Kuan Yew's memoirs. There were mutual recriminations about past grievances and quarrels over Malaysian conditions for supplying Singapore with water, and presumed lawlessness in Johor. In addition, the collapse of a relatively coherent domestic coalition under Soeharto in Indonesia transformed it from a regional giant underpinning ASEAN co-operation as *primus inter pares* to the sickest man on the block, raising anxieties in Singapore and Malaysia. Singapore — with a far stronger coalitional basis — responded by reasserting its fundamental strategy: "A small, vulnerable country resident in a tough neighbourhood has had to put in place a strategy that secures its future over the long term. Integration with the rest of the world is the essence of that strategy. It is a degree of integration which no other South-east Asian state comes close to matching."[46]

Some have found unilateral responses to the economic crisis to reflect ASEAN's weak multilateral institutional infrastructure. Public statements by different leaders were initially contradictory and in some cases — notably Mahathir's — no more than strident attempts to mobilize nationalism and international conspiracies to explain the crisis away.[47] And yet even meetings held at the height of the crisis in late 1997 (in Manila) yielded a common commitment to avoid protectionist responses

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and to promote further liberalization and foreign investment while pressing for global solutions to the negative externalities of international financial flows. The "peer surveillance" scheme designed to ensure a convergence of domestic agendas was consistent with ASEAN's informal style but unprecedented in its intrusiveness. Furthermore, in an institutional departure, finance and central bank officials established the first organization within ASEAN with its own secretariat. A year later, the Hanoi Plan of Action reaffirmed the need to restore investor confidence, regenerate economic growth, and promote sound macroeconomic and financial policies and stronger financial systems and capital markets. The 1998 Summit urged the study of a common regional currency (following a proposal by Philippine President Joseph Estrada) and advanced new measures to attract foreign direct investment, promote financial liberalization, and accelerate AFTA's implementation (from 2003 to 2002).

All in all, ASEAN leaders responded to the worst economic and political debacle in thirty years by conforming to the premise that internationalist strategies compel helping — not undermining — the most ravaged partners, and that any attempt to take advantage of feebler neighbours would undermine the collective. Contributions by relatively stronger members — notably Singapore — to rescue packages for Thailand and Indonesia are a case in point. China's own behaviour towards ASEAN reaffirms this view, insofar as it avoided devaluing the yuan that might have deepened the regional crisis even if it would otherwise enhance China's own export prospects. As Vice-Premier Li Lanqing proclaimed at the Davos World Economic Forum in February 1998: [Restraining from a devaluation] "is not only in our own interest but also a contribution to the recovery of stability and confidence on the Asian currency markets."[48] With its own house in trouble, Japan offered largely extensive diplomatic support but no rollover of Japanese banks' loans or clear endorsement of an EAEC-style turn in the regional economy.

Neither did the economic crisis shatter ASEAN's ability to co-operate in other important matters, such as membership expansion and security. Even as they accepted Myanmar in their midst, ASEAN leaders pressured the Yangon regime on human rights issues. The internationalist logic behind this convergence comes to relief in Jose Almonte's statement that "the liberating influence of both ASEAN and the market system on Myanmar's economy and society should help to 'socialise' the Yangon regime into the global community."[49] Insofar as concerns with the domestic affairs of would-be members were not perceived as the endorsement of domestic oppositions, the two cases may be consistent with ASEAN's principle of non-intervention.[50] More

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of a departure was Malaysian Deputy Prime Minister Anwar Ibrahim's proposal for a policy of "constructive intervention", designed to strengthen civil society in other countries. Responses to Anwar's dismissal as Deputy Prime Minister and the criminal proceedings against him were far more at variance with non-intervention, suggesting that new modalities may replace older ones while preserving co-operation. Thailand's proposed "flexible engagement" has not yet gained support. The ARF has not only survived the crisis thus far but has come out slightly strengthened, witnessing further declines in ASEAN military expenditures and further co-operation with China. Finally, as expected in internationalist clusters, and despite sharp exchanges regarding Anwar, de-escalation of disputes has proven dominant. This is merely an interim assessment of post-crisis ASEAN responses. Domestic coalitional shifts may yet yield alternative rejoinders to the question: ASEAN, *Quo vadis*?

NOTES

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1. See, for instance, Leszek Buszynski, "ASEAN Security Dilemmas," *Survival* 34, no. 4 (1992/3): 90–107. A Neo-Realist perspective is also included in Etel Solingen and Thien Nguyen, "Explaining ASEAN: Neorealist Predicament or International Cluster?" (Paper presented at the International Studies Association Annual Meeting, Minneapolis, 17–22 March 1998).
2. Amitav Acharya, "A New Regional Order in South-East Asia: ASEAN in the Post-Cold War Era," *Adelphi Paper* 279 (London: International Institute for Strategic Studies, 1993): 1–91.
3. This section abstracts from a fuller version of the coalitional argument in Etel Solingen, *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy* (Princeton University Press, 1998).
4. For a comprehensive analysis of the domestic politics that led the key ASEAN states to favour economic openness, see Alasdair Bowie and Danny Unger, *The Politics of Open Economies: Indonesia, Malaysia, the Philippines, and Thailand* (Cambridge University Press, 1997)
5. Muthiah Alagappa, *Political Legitimacy in Southeast Asia: The Quest for Moral Authority* (Stanford: Stanford University Press, 1995).
6. A moderate return to inward-looking policies in the 1970s was followed by a new wave of liberalization and privatization in the 1980s. See Andrew MacIntyre, "Power, Prosperity, and Patrimonialism: Business and Government in Indonesia,"

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in his edited volume *Business and Government in Industrialising Asia* (Ithaca: Cornell University Press, 1994), pp. 244–67.

7. Michael Leifer, *Indonesia's Foreign Policy* (London: Allen and Unwin, 1983), p. 117; Khong Yuen Foong, "ASEAN and the Southeast Asian Security Complex", in *Regional Orders: Building Security in a New World*, edited by D. Lake and P. Morgan (University Park: Pennsylvania State University Press, 1997), pp. 318–42; Soekarno's acronym Nasakom reflected one of his two supportive coalitions (nationalist, religious, and communist forces), the other being the armed forces. See also Jusuf Wanandi, "The Correlation Between Domestic Politics and Foreign Policy in Indonesia," in *Asia and the Major Powers: Domestic Politics and Foreign Policy*, edited by R.A. Scalapino, S. Sato, J. Wanandi, and S. Han (University of California Berkeley, Institute of East Asian Studies, 1988), pp. 181–99.
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9. Chan Heng Chee, "Singapore: Domestic Structure and Foreign Policy," in *Asia and the Major Powers: Domestic Politics and Foreign Policy*, edited by Scalapino et al., p. 289.
10. Edmund T. Gomez and Jomo K.S., *Malaysia's Political Economy: Politics, Patronage and Profits* (Cambridge University Press, 1997); and K.S. Nathan, "Malaysia: Reinventing the Nation," in *Asian Security Practice: Material and Ideational Influences*, edited by Muthiah Alagappa (Stanford: Stanford University Press, 1998), pp. 513–48.
11. D. Geoffrey and S.D. Stafford, "Malaysia's New Economic Policy and the Global Economy: The Evolution of Ethnic Accommodation," *Pacific Review* 10, no. 4 (1997): 556–80.
12. Quoted in Amitav Acharya, "Regionalism and Regime Security in the Third World: Comparing the Origins of ASEAN and the GCC", in *The Insecurity Dilemma – National Security of Third World States*, edited by Brian L. Job (Boulder: Lynne Rienner, 1992), p. 152.
13. Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions* (Princeton N.J.: Princeton University Press, 1995), p. 314.
14. On further regional comparisons, see Bowie and Unger, op. cit, p. 10. Malaysia's government deficits and final consumption are higher than the rest, and Singapore's figures are the lowest.
15. Data on military expenditures (MILEX) in this section is from *SIPRI Yearbooks* (various years, 1975–95) and IISS, *The Military Balance* (1995/96), pp. 266–67. For cross-regional comparisons, see Solingen, op.cit., pp. 28–29, 137, 166, 229–30. On transparency, see *Arms, Transparency and Security in South-East Asia*, edited by Bates Gill and J.N. Mak (Oxford: Oxford University Press, 1997).
16. Barry Buzan and Gerald Segal, "Rethinking East Asian Security," *Survival* 36, no. 2 (Summer 1994): 3–22. See also Desmond Ball, "Arms and Affluence: Military

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37. Khong, op. cit., pp. 330–33.
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41. Quoted from Acharya, "The Association," p.171.
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45. On the potential for backlash responses in the aftermath of IMF-imposed programmes, see Richard Higgott, "The International Relations of the Asian Economic Crisis: A Study in the Politics of Resentment" (Paper presented at a conference on "From Miracle to Meltdown: The End of Asian Capitalism?", organized by Murdoch University, Asia Research Center, 20–22 August 1998). On the weakness of populist challenges in East and Southeast Asian countries prior to the crisis, see Haggard and Kaufman, op. cit., p. 455.
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47. On responses to the economic crisis, see John Funston, "ASEAN: Out of Its Depth?" *Contemporary Southeast Asia* 20, no. 1 (April 1998): 29–31; and Higgott, op. cit., pp. 1–34.
48. Quoted in Dibb et al., op. cit., p. 19.
49. Jose T. Almonte, "Ensuring Security the 'ASEAN Way' ", *Survival* 39, no. 4 (Winter 1997): 82.
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The Asian Crisis and the Adequacy of Regional Institutions

MICHAEL WESLEY

Little attention has been given to the role of regional institutions during the East Asian financial crisis. This article assesses the major responses of ASEAN, APEC and the ADB to the crisis, concluding that the minimalist actions of regional institutions have had little effect on mitigating the economic downturn or promoting recovery. It argues that despite much attention being given to national-level and global level reforms, more effective region-level structures need to be constructed against future financial turmoil. Problems remain for East Asia in assembling such regional institutions, but perhaps recent proposals for the reform of ASEAN by younger East Asian leaders point the way to the future.

The weight of scholarly and official opinion on what measures will best promote an East Asian recovery from the financial crisis advocates reform either at the national or the global level. Those who find the major causes of the crisis in weaknesses in individual East Asian economies stress that recovery will only follow structural reforms at the national level. Those who blame the crisis mostly on uncontrolled global financial flows and the avarice, mispricing of risk, and herd instinct of international investors, argue for action at the global level to regulate these massive financial flows. Between the national and the global, comparatively little attention has been given to responses at the regional level.

The lack of attention to regional level responses needs to be redressed for three related reasons. First, the financial crisis is a regional phenomenon, largely confined to East Asia. Secondly, the crisis and

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responses to it challenge deeply-held values that inform East Asian diplomacy and institutions: regional and national resilience and development; political and social stability; and sovereign independence and non-intervention in the face of IMF (International Monetary Fund) conditionality. Thirdly, it is not unreasonable to expect regional institutions to respond when the countries of the region are hit with a serious common problem. Some regional institutions should be more responsible for reacting than others: a financial crisis and its consequences are more relevant to broadly political institutions such as the Association of Southeast Asian Nations (ASEAN); economic and trade institutions such as the Asia-Pacific Economic Co-operation (APEC); and regional financial institutions such as the Asian Development Bank (ADB), and less relevant to security or functional structures.

This article examines the responses of these regional institutions to the Asian financial crisis. First documenting the track records of ASEAN, APEC, and the ADB in responding to the crisis in 1997 and 1998, it then assesses the adequacy of these responses from a number of perspectives: have the responses of these institutions mitigated or alleviated the crisis?; what should regional institutions have done?; and how have regional institutions elsewhere in the world been able to respond to financial crises? This leads to the consideration of why regional action is vital alongside national and global action to respond to financial instability. The final section considers the obstacles and prospects for constructing regional institutions that can play such a role in East Asia.

The Response of Regional Institutions to the Financial Crisis

ASEAN, APEC, and the ADB responded in four basic ways to the financial crisis in 1997 and 1998: with premonitions of impending danger; co-ordinated policy responses; the use of a collective voice to influence actors outside the region; and "institutional innovations" for responding to the crisis.

Pre-Crisis Premonitions

By the mid-1990s ASEAN had begun to voice concern about the volatility of international capital markets. In July 1995, the ASEAN foreign ministers "cautioned that the continuing imbalances in the international currency markets might seriously affect financial flows to the region and might have adverse consequences for countries with large foreign debt obligations."[1] In March 1997, ASEAN Finance Ministers concluded a Memorandum of Understanding on financial co-operation, which

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included a commitment to exchange views on macroeconomic policy and to improve the transparency of financial policies and regulations.[2] At the same time, the process of co-operation and consultation between ASEAN central bankers was deepening; a triumph was registered in May 1997 when their co-ordinated response successfully defended the Thai baht from currency speculators.

APEC had also begun to establish co-operative structures relevant to the coming financial turmoil. The Fourth Meeting of APEC Finance Ministers in Cebu, Philippines, in April 1997, agreed on six new initiatives: conducting voluntary seminars and institution-building programmes on export financing for APEC members; promoting exchanges of information on financial market supervision between international expert bodies and national regulatory authorities; encouraging APEC countries with relevant experience of clearing and settlement infrastructure to share this with interested economies and provide technical support; supporting the development of international credit-rating agencies and strengthening information disclosure standards; convening regional forums on pension fund reform and on securitization; and agreeing to draw up a voluntary action plan for supporting the freer and stable flow of capital.[3] Despite early starts, however, ASEAN and APEC were powerless against the deluge of the financial crisis and the spread of the turmoil across the region.

Co-ordinated Policy Responses

After the onset of the crisis, ASEAN, APEC, and the ADB all responded by drawing on established institutional mechanisms of consultation and collective action. In order to promote a trade-based recovery and relieve the pressure on the affected economies to obtain hard currency, ASEAN leaders made a commitment to encourage intra-regional trade in local currencies at their Informal Summit in Kuala Lumpur in December 1997.[4] At the December 1998 Hanoi summit, they made a commitment to press ahead with trade liberalization in the ASEAN Free Trade Area (AFTA) by undertaking to eliminate protection for most goods three years before the 2003 deadline. At its Leaders' Meetings in Vancouver in November 1997 and Kuala Lumpur in November 1998, APEC also pledged to press ahead with trade and investment liberalization. These commitments were accompanied by statements of conviction that a regional recovery would be best promoted by enhancing freer movement of finance, goods, and services between economies.[5]

The ADB was able quickly to provide loans, financing and advice to stricken regional economies, with the Bank's total lending increasing from US$5.5 billion in 1996 to US$9.4 billion in 1997. Thailand was extended a US$1.2 billion economic stabilization programme loan over

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three years, followed by a further loan to help it to reform its financial markets, US$1 billion to establish an Export Loan Facility, and a US$500 million loan to help mitigate the social impact of the crisis. The ADB contributed US$1.5 billion to the IMF-coordinated support package for Indonesia, US$1.5 billion to address governance reforms in the Indonesian finance sector, and a US$300 million package to help cushion the social impact of the economic crisis in Indonesia. For South Korea, the ADB approved a quick-disbursing emergency loan of US$4 billion in December 1997. Many of these loans were specifically targeted to reform programmes in financial sectors, capital markets, public sector management, and competitiveness, while financing was provided for studies and forums on aspects of financial crises, their mitigation and future prevention.

"Talking Up" the Markets and Outside Actors

The collective voice and authority of regional institutions provided convenient platforms from which to reassure investor sentiment and encourage helpful attitudes in other states and regions. At the Ministerial and Leaders' Meetings in Kuala Lumpur in late 1997 and in Hanoi in December 1998, ASEAN called on the industrialized world and international institutions to support the region during its time of crisis.[6] Appeals were made to the IMF to assist the region, to moderate some of its conditions for assistance, and to establish mechanisms to address the problems associated with international currency trading and finance. The Group of Seven (G7) industrialized countries, the European Union (EU), and other OECD (Organization for Economic Co-operation and Development) economies were urged to maintain open markets to Southeast Asian exports and trade financing for the affected economies,[7] while China was applauded for not devaluing the renminbi. Inter-regional dialogues were also used: the second Asia-Europe Meeting (ASEM II) in London in April 1998 declared its belief in the ability of the Asian countries to recover and restore financial stability, and established a Trust Fund to alleviate the social impact of the crisis.[8] Support from Dialogue Partners was obtained at the ASEAN Post-Ministerial Conference (PMC) in Manila in July 1998, in the form of programmes promoting human resource development, science and technology, and institutional capacity-building for reforming and strengthening multilateral financial and development institutions.[9]

APEC leaders called for action at the global and regional levels: "[The financial crisis] reflect[s] new challenges in the international financial system that require new responses. The global dimensions of these problems suggest the need for a global response, with regional initiatives to complement and support these efforts,"[10] as well as at the

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national level: "We have also noted that those economies that have undertaken... reforms earlier have been able to weather the crisis better and maintain investor confidence."[11] They avowed confidence in regional recovery: "Overall, the long-term fundamentals in the region remain strong and we are confident that the region will regain its dynamism,"[12] while seeking to buoy market sentiment: "We strongly urge our private sectors to base their assessment of individual banks' credit-worthiness on relevant facts and not on any simple regional formula."[13]

The ADB also provided declaratory support for the region's recovery, emphasizing regional economies' "[f]undamental economic soundness and a renewed commitment to financial sector reform. The prospects of the Southeast Asian economies remain promising over the medium and long-term".[14] ADB representatives supported the establishment of an Asian Currency Fund,[15] while issuing a number of vivid reminders of the region's capital needs: "If real GDP growth across developing Asia averages about 6 per cent per year until 2020... Asia's accumulated investment demands between now and then could be around 50 trillion dollars (US$ in 1996 prices)."[16]

Institutional Innovations

Regional institutions demonstrated some institutional creativeness and flexibility in creating new structures or procedures to address the crisis. Building on a meeting of the region's central bankers in July 1997, which constructed the Executive Meeting of East Asian and Pacific Central Banks (EMEAP), and the ASEAN Finance Ministers meetings, a meeting of ASEAN Finance and Central Bank Deputies was convened in Manila in November 1997 to discuss a regional response to the financial crisis. The resulting "Manila Framework" established a regional economic monitoring mechanism to analyse capital flows and maintain joint surveillance of the operation of ASEAN economies' banking systems and macroeconomic indicators in order to provide an early warning mechanism of financial turmoil.[17] Initially to be housed in the ADB, it is currently under joint construction by the ASEAN Finance Ministries and Central Banks, the ADB, and the ASEAN Secretariat. The ASEAN Finance Ministers met again in February 1998, and agreed to establish a "peer surveillance scheme", a collective monitoring and warning system modelled on a G7 design to watch over the macroeconomic policy settings and financial sector regulation and transparency of member economies.

In late July 1998, ASEAN Investment Agencies met in Singapore to discuss measures to attract investment flows to the region as a measure for economic recovery. An ASEAN Investment Area (AIA) modelled on

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AFTA was conceived, with three facets: promotion and awareness, co-operation and facilitation, and liberalization. The AIA will incorporate an ASEAN Supporting Industry Database (ASID); an ASEAN Directory of Technology Suppliers (ADTS); and a Compendium of Investment Policies and Measures in ASEAN.[18] At a Private Sector Roundtable convened in Jakarta in March 1998, ASEAN sought to include regular business inputs into measures designed to restore confidence and the encouragement of investment in the region.[19] The "Hanoi Action Plan", launched in December 1998, included a scheme to encourage manufacturing investment in Southeast Asia through tax exemptions, duty-free imports, market access guarantees, and improvements in leasing and expatriate labour rules.[20]

ASEAN also proposed several initiatives to address the social impact of the financial crisis. Thailand proposed an ASEAN PMC caucus on social safety nets, while the "ASEAN 2020" document adopted in December 1997 pledged to construct "ASEAN as a caring society", building a sense of regional community unburdened by hunger, malnutrition and poverty.[21] An ASEAN Foundation was established in Jakarta in July 1998 to implement programmes in human resource development, poverty eradication, and people-to-people exchange.

The ADB had begun even before the onset of the crisis to revise and reform its own structure and services in the light of the new financial and developmental realities facing the region, "to mobilize private sector resources, to advise policy and institutional reforms in member countries, and to promote subregional economic cooperation."[22] In the light of the new realities of international finance, the ADB has been slowly diversifying its role from one of project financing to a broader-based, advisory institution, "'packaging' a range of services to meet varying needs of developing members [including] promoting initiatives for regional and subregional cooperation."[23] The ADB has also played a leading role in the development of regional bond markets, in helping to catalyse mutual funds, and in promoting the establishment of credit risk agencies.[24]

Assessing the Adequacy of Regional Institutions' Responses

Assessments of the adequacy of these responses depend on the availability of figures, the ability to construct useful benchmarks, and the existence of meaningful comparisons with the experiences of institutions in other regions. Many of the institutional responses were designed to prevent similar crises in the future, and their effectiveness will not be assessable until a similar crisis occurs again; other mechanisms are still in the process of construction; while the

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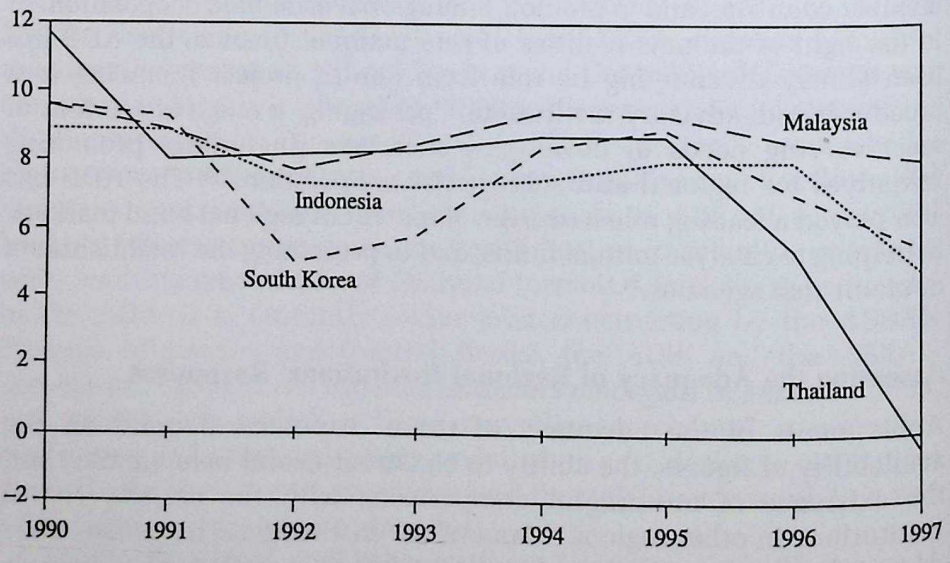
effectiveness of still others may be hidden by leads and lags in economic indicators.

Empirical Assessment

A tentative assessment of the effectiveness of regional institutions' responses can be made against the backdrop of conditions prevailing at the end of 1998. The continuing financial and broader economic crisis in East Asia is evidence that responses at any level — national, regional, and global — have been inadequate. Figure 1 shows that the gross domestic product of the worst affected countries have all registered severe drops during 1997 and 1998, with most predictions being for sagging growth in 1999 and beyond.[25]

Many of the actions of regional organizations have been predicated on the belief that a regional economic recovery must be based on the return of foreign investment to the liquidity-starved region. Their efforts to "talk up investor confidence" have focused on convincing foreign and local investors that an over-correction has occurred and that there

FIGURE 1
GDP Growth Rates, 1990–97



Source: Figures from *Asia Pacific Profiles 1998*.

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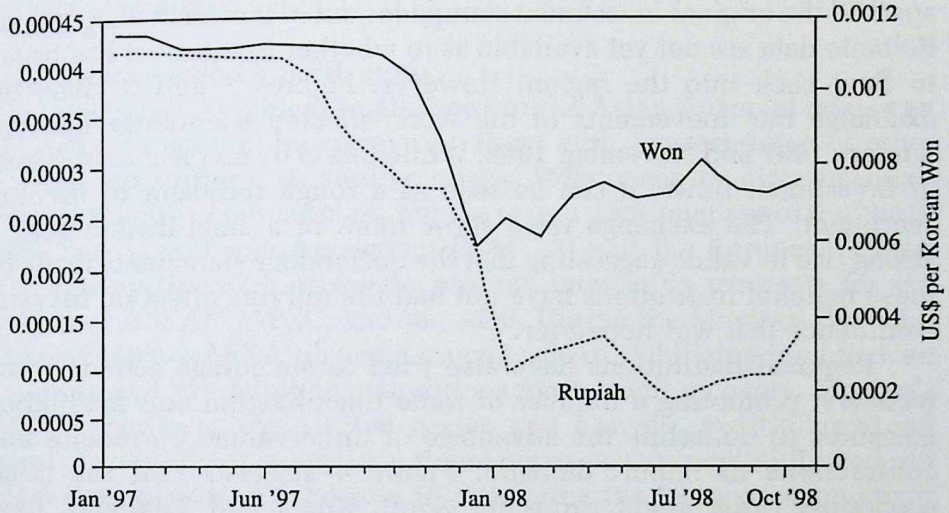
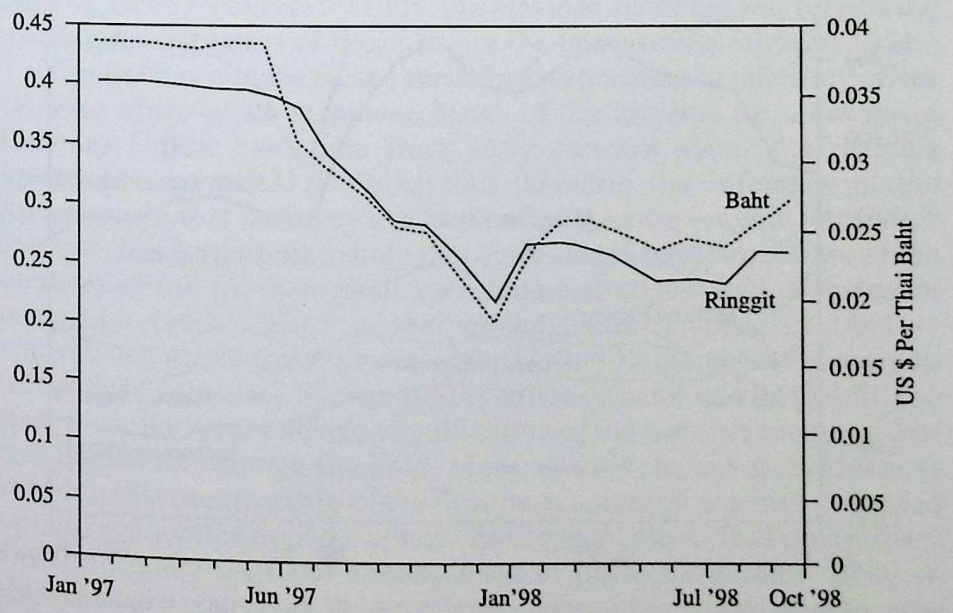
FIGURE 2
Currency Movements, Indonesia and South Korea, 1997–98.



Source: Figures from IMF, *International Financial Statistics.*

FIGURE 3
Currency Movements, Malaysia and Thailand, 1997–98.



Source: Figures from IMF, *International Financial Statistics.*

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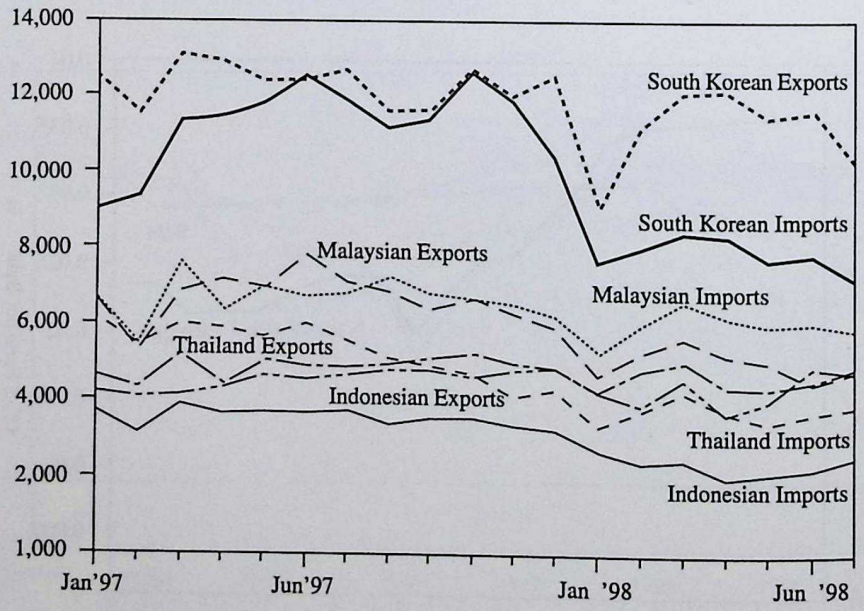
is much money to be made by investing in the region's economies. These statements combine encouragement to invest with attempts to allay fears about regional economic and political instability that had sparked the original investment stampedes out of the affected countries. Reliable data are not yet available as to whether investment has begun to flow back into the region. However, Figures 2 and 3 chart the exchange rate movements of the worst-affected economies between January 1997 and November 1998. While this is by no means a measure of investment flows, it can be seen as a rough indicator of investor sentiment. The exchange rates show more of a stabilization than a strong rise in value, suggesting that the declaratory statements made by these regional institutions have not had the rallying effect on investor confidence that was hoped for.

Regional institutions have also tried to encourage a trade-based recovery, promoting a number of trade liberalization and facilitation measures to underline the advantage of undervalued currencies and contractions in import demand. Figure 4 suggests that the crisis economies, after slight drops for South Korea and Thailand, have

FIGURE 4
1997–98 Trade: Thailand, Korea, Philippines, Malaysia



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registered steady rates of trade rather than the hoped-for rises in exports and falls in imports. Early figures suggest that the actions of regional institutions have been less than decisive in promoting a regional economic recovery.

Comparisons with Other Regions

The responses of regional institutions to the Asian financial crisis can be placed in context by comparing them with the responses of other regional institutions to similar crises. Differences in circumstances prevent absolute comparisons, but the recent performances of the North American Free Trade Agreement (NAFTA) and the European Union (EU) during financial crises do provide interesting contrasts for the actions of ASEAN, APEC, and the ADB. During the Mexican financial crisis of 1994, NAFTA played a crucial role in stabilizing the Mexican economy and providing the conditions for its swift recovery. Mexico's NAFTA partners, the United States and Canada, swiftly provided massive amounts of emergency financing as private capital flowed out of Mexico, playing a vital role in stabilizing the Mexican economy.[26] Such decisive underwriting of the Mexican economy by two G7 powers established the conditions for a rapid downgrading of risk assessments by private investors and a swift return of investment.[27] Equally vital to the rapid recovery of the Mexican economy was the willingness of the other two NAFTA members to play an "export absorber" role, keeping their markets open and consumer demand buoyant to underpin a trade-based Mexican recovery. By 1996, the Mexican economy was registering growth rates in excess of those before the onset of the crisis in 1994.

The EU has a more mixed record in responding to currency crises that have afflicted its members. Much of the impetus for a European Monetary Union has come from early concern about the region's dependence on the U.S. dollar and therefore the influence of the movements in that currency's values on European economic fortunes.[28] However, it is important to note that such moves have not sheltered the countries of the EU from their own financial crises. One of the more spectacular recent crises — that of the pound sterling in 1992 — occurred as a direct consequence of the United Kingdom's adherence to its European Monetary System (EMS) currency band and its inability to offset the inflationary effects of unification of the German economy that were passed on through the EMS. More recently, however, evidence is emerging that membership of the European currency area has protected exposed economies from the attentions of speculators: "Had preliminary [EMU] currency pegs not already been in place since May [1998] — when the euro was given the final green light — the speculators by now might have demolished the Finnish mark (because of the nearby Russian

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crisis), the Spanish peseta (Latin American contagion), and the Italian lira (Japanese women no longer buying Gucci bags)."[29]

Certainly, differences exist between NAFTA and the EU, and ASEAN and APEC. The former consisted of several G7 powers with buoyant economies at the time of their resolute action; ASEAN had none, while APEC had a recession-crippled Japan and a distracted United States and Canada. The entire regions of North America and Europe did not succumb to the crisis as did eventually most of East Asia. North America and Europe had predominantly developed economies. Yet these differences are not sufficient to account for all the variances in their records of mitigating financial crises. Both NAFTA and the EU were able to demonstrate a solidarity, a resolution, and a commitment to the recovery of afflicted economies that was largely absent in East Asia. This absence, more than any other factor, emerges from the poor assessment of the responses of regional institutions to the East Asian financial crisis.

Roles for Regional Institutions

The desire to restore investment and growth to East Asia, together with the realization that the global financial market is likely to remain unstable and crisis-prone, suggest that East Asian countries will need to take protective measures against future financial instability. Reforms in this direction are already under way in various East Asian economies. Consideration has begun within the G7, the IMF, and the G22 (Group of 22 industrialized countries) on reforms to global markets and institutions. Yet while tentative actions such as the Manila Framework measures have been taken at the regional level, little sustained consideration has occurred on whether regional institutions should be reformed in ways that can enable them to play a decisive role to complement national and global measures in protecting East Asia from future financial instability. Yet there are roles that need to be filled that cannot be played by either global or national actors.

Regional Leverage in Global Contexts

Regional institutions need to deliver much greater leverage for East Asian countries in global contexts and institutions and command greater weight for regional pronouncements. A benchmark has already been set by ASEAN's own impressive historical record, particularly its international campaign to achieve the withdrawal of Vietnamese troops from Cambodia and to sponsor a solution to the Cambodian civil war. Yet while appeals to the broader international community have been made by ASEAN, APEC, and the ADB, regional interests have had little

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influence on global outcomes during the financial crisis. The negotiation and renegotiation of IMF packages for Thailand, the Philippines, Indonesia, and South Korea all occurred bilaterally between the afflicted countries and the IMF, rarely relying on the collective diplomatic support of regional institutions to mitigate the conditions placed on the IMF rescue packages. Despite its regular attendance at ASEAN Economic Ministerial meetings during the 1990s, and its common membership in APEC with the rest of East Asia, Japan has been criticized for failing to represent East Asian interests at G7 meetings.[30] East Asian regional institutions have fallen far short of previous achievements in the use of collective diplomatic weight during the financial crisis. The regular issue of hortatory calls for solidarity or assistance have covered up a considerable failure to wield global influence. In the event of future East Asian difficulties, there will be great advantage in the use of East Asia's collective diplomatic weight at the global level.

An East Asian "Insurance" Regime?

There is an increasing need for some form of protection for the region against serious losses in the increasingly high-stakes game of rapid, export-oriented industrialization, underpinned by large inflows of capital. The growing number of linkages and liabilities between East Asian economies and the global economy have translated into increasing exposure to the volatility of international trade and the instability of international financial markets.[31] Regional solidarity could mitigate the exposure of East Asian economies to global market fluctuations. Keohane's concept of an insurance regime points towards a possible form of regional collaboration to fill this role. He argues that where a group of countries cannot feasibly exercise control over certain outcomes at a reasonable cost, an appropriate strategy may be to spread the risks and liabilities of exposure among a number of collaborating states.[32] The co-ordinated response by ASEAN finance ministries to the first speculative attack on the Thai baht in May 1997 shows that such a form of regional collaboration was briefly contemplated. The APEC Finance Ministers' proposals to take action on credit-ratings agencies, pension fund reform, securitization, and the promotion of freer and more stable flows of capital showed an interest in collectively mitigating the risks of exposure to volatile financial flows, as did various moves to improve and standardize capital market regulation and transparency in regional countries.

However, the possibility of insuring against the risk of financial market volatility was unfulfilled as the crisis hit. After the high point of defending the baht in May 1997, all evidence of practical solidarity disappeared. The East Asian states, most of them suffering comparable

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problems, resolved to face the difficulties alone rather than as a region. By mid-1998, the ASEAN countries were indulging in bouts of mutual recrimination against those countries that they saw as not offering enough support during the crisis. APEC's initiatives on reform of capital markets remained at the minimum level of commitment — information sharing, workshops and seminars, and voluntary dialogues. Yet the Manila Framework mechanisms, still under construction, and the emerging signs of deepening co-ordination of central finance ministries and central bankers, evidenced in the construction of EMEAP, are perhaps the beginnings of a regional financial insurance regime.

An East Asian "Lender of Last Resort"

The need for an East Asian "lender of last resort" has been one of the most contested issues of the financial crisis. Rather than being a reflection of East Asian structural economic weakness, many see the financial crisis as caused by creditors reacting to the actions of other creditors: as capital flowed out of East Asian economies, creditor panic fed on itself, self-generating a liquidity crisis.[33] In such situations, a "lender of last resort" is required which "short-circuits" the panic by injecting enough liquidity into the system to allay investor fears that the later they withdraw their capital, the larger will be their losses on their investments.[34] No state, or ad hoc combination of states, was willing to play a role in the East Asian crisis as had occurred during the three previous major post-war financial crises: the 1974 banking crisis; the 1982 debt crisis; and the 1987 stock market crash.[35] Japan, internally troubled by its own structural recession, showed little leadership at first. The United States was similarly sluggish in its response, perhaps reflecting a more permanent attitude: "the United States is an unstable [financial] stabilizer, constantly tugged towards domestic policy goals which may conflict with its systemic role, and seduced by a faith in the virtues of an unleashed market."[36] As East Asia descended into crisis, the major economic powers channelled most of their assistance through the IMF, arguing that this organization was best placed to be the lender of last resort. Yet many East Asians have argued that the IMF mistook a capital account crisis for a current account crisis, and was ill-suited and ill-disposed towards being a lender of last resort.[37] Others argued that the IMF was ill-suited to play this role: its arrival on the scene acted to further panic investors; and the actual amounts of money it disbursed to stricken countries were inadequate, not even coming close to equalling the amounts of debt that were falling due in the stricken economies.[38]

The various ad hoc responses of ASEAN, APEC, and the ADB to the crisis — co-operation in export financing, encouraging trade in

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ASEAN currencies; the provision of emergency finance; and moves to leverage finance from private sources — all showed a need to redress the liquidity squeeze and stem the outflow of capital from the region. In late 1997, the Japanese Ministry of Finance proposed an Asian Fund to play just such a role as a regional lender of last resort.[39] The proposal received cautious support from around the region, and the repeated resurrection of the concept shows that it continues to be supported.[40] However, the Asian Fund proposal failed in the face of strident American opposition to the concept.[41] Apart from occasional ADB support for the idea, no regional institution took up to defend it against critics or took responsibility for seeing it through to fruition. Eventually, the United States and Japan announced a joint US$10 billion package for crisis-hit economies and Japan extended a further US$30 billion line of credit to the region at the November 1998 Kuala Lumpur APEC Summit.[42] However, the concept of a regional lender of last resort never left the drawing board, leaving East Asian economies to the tender mercies of the IMF, ad hoc grants from the major economies, and the vagaries of international investor sentiment. An East Asian institution, unable to be associated with the IMF's less than confidence-inspiring attributes, but able to act as a credible guarantor of financial stability and liquidity, could serve to underpin investor confidence in the region.

Regional Financial Sector Regulation

There is also a role to be played at the level of regional collaboration in devising appropriate regulation of financial sectors in the East Asian economies. Collective action problems inherent in regulating national capital markets make it difficult to achieve effective regulation at both national and global levels. The collective action problem can be seen in the dynamics of competitive financial sector liberalization in East Asia in the late 1980s. A number of attributes of financial markets abetted this cumulative process: the spread of neo-liberal market philosophies; the relatively low domestic political visibility of financial deregulation;[43] the seemingly obvious role of foreign investment in nation-building; and the belief that East Asian growth and stability would continue indefinitely. More important to the rapid spread of financial market liberalization through the region was the fact that the benefits of greater investment inflow will always accrue to those economies that liberalize first or most extensively, because investors will be attracted to sites allowing them extra degrees of freedom. The unique mobility and fungibility of finance means that a competitive liberalization dynamic develops as economies compete for investment. Unlike trade, the collective action problem in finance lies in regulating the market, rather than in liberalizing.[44] Collective moves to regulate financial

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markets can at any time be undercut by a state unilaterally deregulating its financial markets and drawing vital investment into its own economy and away from its former collaborators.[45] Problems of detecting and sanctioning defectors increase as the size of the collaborating group increases.[46] Ensuring uniform regulation is more difficult at the global than at the regional level. The regional level is therefore more efficient for regulating financial sectors, because collective action problems that plague the national and global levels of action can best be addressed among a small number of contiguous states.

The Future of Regional Institutions in East Asia

If a case has been established that the East Asian financial crisis has produced an increased demand for more effective regional institutions, brief consideration should be given to factors that will influence whether regional institutions will be able to provide appropriate responses to meet this demand. One obstacle to the decisive restructuring of regional institutions to cope with future economic or political turmoil lies in the twin philosophies that underpinned the formation of East Asian institutions. One implicitly assumed that economic growth and stability were interrelated and would continue indefinitely,[47] and that the task of regional institutions was to promote the conditions for their continuation. The other asserted that this or any other common regional endeavour was subordinate to national interests and independence. These twin philosophies explain both the minimalism and the consensuality of regional institutions. They also meant that rapid economic development assumed greater importance as the glue that held the region together. APEC and AFTA were institutional innovations designed to liberalize trade to accelerate this process of development, attract foreign investment, and achieve greater complementarity among the region's economies. There was little between the mid-1980s and the mid-1990s to suggest that institutional innovations should be made in case economic growth suddenly and catastrophically came to an end. Such moves seemed to threaten both the buoyancy and the inevitability of economic growth. Collective action to cope with economic crisis and political instability challenges the original twin philosophies of East Asian institutions, and will inevitably compromise the minimalism and the consensuality of regional institutions.

More obstacles to decisive institutional change derive from a number of consequences of the financial crisis. The first is the political, economic, and social chaos that has overtaken Indonesia as a result of economic collapse. Indonesia has always played a crucial role at the core of

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ASEAN, and by extension, of other regional organizations. Regional institutions have also lost a number of elder statesmen as a major source of drive and innovation. Regional institutions in East Asia are predominantly leader-driven: initiatives and agreements are reached at the highest levels of government while secretariats and support structures remain skeletal.[48] The duration of the financial crisis has seen the loss or silencing of ASEAN's prominent statesmen: Indonesia's Soeharto, the Philippines' Ramos, Malaysia's Mahathir. The first was a casualty of the crisis; the second of a regular election cycle, and the third not deposed but internally focused on domestic political turmoil.

More problems for institutional innovation derive from uncertainties over the appropriate scope for regional organization in East Asia. One of ASEAN's difficulties in dealing with an Asian financial crisis was that the organization did not include all the economies affected by the crisis, which was crucial to its response. ASEAN found that it needed to rely on dialogue in broader contexts to co-ordinate its actions with such important players in the crisis as South Korea, Japan, and China. Other countries like Australia and New Zealand, which had wanted to become involved in the collective alleviation of the crisis, had to do so bilaterally or through other, less sensitive institutional mechanisms. But broadening its membership has also created great problems for ASEAN and its ability to respond innovatively. The process of "widening" its membership to include Vietnam, Laos, Myanmar, and eventually Cambodia, is an enormous task of digestion for the organization. These states have less open political systems, much lower levels of economic development, and are inexperienced in participating in regional institutions. ASEAN will expend a great deal of energy on absorbing its newer members for some time to come.

APEC, at the other extreme, includes all of these relevant players, but its membership is too broad. It includes a wide range of development levels, from the United States with a per capita gross domestic product (GDP) of US$28,600 to Papua New Guinea with a per capita GDP of US$2,400. There are also broad differences in contemporary economic fortunes: while East Asian economies went into a free fall, the American economy was entering its fourth consecutive year of strong economic growth, low inflation and low unemployment. It is unsurprising that such a wide array of economic situations resulted in a great diversity of perspectives on the financial crisis. While nearly all recognized the need for both recovery and reform of the ailing economies, those economies immediately affected naturally prioritized defence, liquidity, and recovery, while those less affected advocated market and financial sector reforms. Overlaying these competing priorities is a long-standing

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culture of dispute across the Pacific over trade issues. The range of differently affected members and viewpoints within APEC generates an institutional inertia that will make innovation very difficult.

These are very real difficulties for regional institutions trying to adapt in ways that will allow them to respond more resolutely to financial turmoil in the future. Yet they are no reason to discount regional measures and to concentrate on national and global responses. The contagion effect showed that East Asia as a region exists in the minds of currency speculators perhaps to a greater extent than in the minds of East Asian political leaders. A regional crisis of this extent may advance the concept of the region within East Asia, while forcing a rethink of regional institutional structures and practices formed in different circumstances.

There is evidence of a growing body of opinion among younger regional leaders of the need for change. Former Malaysian Deputy Prime Minister Anwar Ibrahim proposed in July 1997 that ASEAN adopt a policy of "constructive intervention" designed to collectively oversee and advance electoral, legal and administrative processes in Southeast Asia.[49] In September 1997, Thai Finance Minister Thanong Bidaya suggested that ASEAN include a commitment to a common regional currency in its ASEAN 2020 framework because single-country currencies were inherently unstable and open to speculative attack.[50] Thai Foreign Minister Surin Pitsuwan proposed a policy of "flexible engagement" permitting constructive criticism and advice between ASEAN members in July 1998.[51] Each of the proposals moves away from ASEAN's traditional doctrine of non-intervention and avoidance of criticism and areas of disagreement. The Anwar and Surin proposals would entail the collective management of and responsibility for areas of domestic policy that have always been viewed as the sovereign prerogatives of the Southeast Asian states; while the single common currency would need to be preceded by binding commitments to harmonize macroeconomic policy settings between the countries of the region.

That all three proposals were rejected is not as significant as the fact that they were floated publicly and that they were supported by younger leaders — a "new generation" of ASEAN leaders, often from countries that had not played a significant directing role in the organization — and opposed by the older generation of leaders of the institution, well steeped in its traditions, practices, and inertias. The proposals and the proposers point to a new generation of leaders who are beginning to question methods of avoiding conflict and upholding sovereignty absolutely. As a newer generation of leaders rise to power

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in East Asia, it is not inconceivable that regional organizations will incrementally change their fundamental dynamics to respond to new realities in regional politics, and rising global challenges.

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Flexibility or Irrelevance: Ways Forward for the ARF*

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Measured by its own standards of progress on security dialogues, the ARF has made impressive strides since its formation in 1994. Security challenges in the coming decade are, however, likely to cripple the ARF if it adheres to its current modus operandi *of seeking general unanimity and consensus. Since approaches based on the European paradigm are both unacceptable and in most cases inappropriate to the Asia-Pacific environment, and the ARF approach may not lead to meaningful adjustment of member states' self-interests and fears, different steps must be taken. Goals must be made more concrete and multilateralism must assume a practicable scope — in short, a more pragmatic and outcomes-based vision is needed. Conventional arms acquisitions and the competing claims on the Spratly Islands are two good issues on which to start.*

The Evolving Security Environment

Whether "ripe for rivalry" or simply witnessing the ripening of divergent national viewpoints, the Asia-Pacific will undergo potentially dramatic and unpredictable developments in the coming decades. The litany of potential problems and flashpoints is by now familiar: uneven economic development across and within states; regime instability and pressures for political reform; full-fledged military confrontation on the Korean peninsula, punctuated by military probings and, more recently, missile or attempted satellite launches; clashing interests and occasional military

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fire over claims in the Spratlys; major arms purchases throughout Southeast Asia in a context of suspicion and unclear military intent; historical enmities unresolved, particularly in Northeast Asia; and the growing military might of a potential hegemon with unclear bounds on its strategic interests.[1]

After several years of gestation, the ASEAN Regional Forum (ARF) was formally launched in 1994 to deal explicitly with issues affecting regional security. The ARF was born in part as a rejection of a European model of security that is based on a combination of great-power politics and legalistic institutionalism. Instead, the ARF embraced the "ASEAN Way" of dealing with conflicts of interest — discussion and dialogue to seek out the matters acceptable to all involved parties. An extraordinary number of dialogues have commenced. Working groups have been convened on confidence-building measures (CBMs), preventive diplomacy, and conflict resolution, which also comprise the three stages through which the regional security dialogue is supposed to progress. Major statements of policy have been accepted on the issue of weapons of mass destruction (WMD). Membership has expanded to include virtually all regional actors as well as the world's major powers and political groupings, reaching to Europe.

Yet there is an incongruity between the assumptions and processes of the ARF, on the one hand, and the nature of some of the security challenges facing the Asia-Pacific region, on the other. On the most fundamental level, the wide variety of threats to stability — in their origins, intensity, and likely maturation — decreases the likelihood that an essentially unitary approach to security can successfully manage all of them. Looking more closely at the kinds of hard decisions and choices that are necessary to solve some of these conflicts, one can conclude that identity-building by itself will not address such realities.

Failure to resolve emerging conflicts incurs two very serious risks for the ARF. First, it will appear irrelevant should it become bogged down in preliminary CBM discussions without ever tackling serious conflicts of interest or threatening behaviour. The progress that *is* made in identity-building will then mistakenly appear to be erroneous or even harmful. Secondly, the ARF could find itself overtaken by longer-term and irreversible trends, such as Chinese power projection or simply China's growing "presence", which the ARF chooses to sweep under the rug on a meeting-by-meeting and dialogue-by-dialogue basis.

In order to thrive, then, the "ASEAN Way" of unanimity, informality, and low-profile dialogue, and the "ARF Path" of moving sequentially from trust to conflict prevention and then conflict resolution must be transformed into a strategy for dealing with concrete problems

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in the near term. This will require breaking with the ARF's traditions of unanimity and consensus-building. It requires sub-regional and bilateral arrangements. It will necessitate the refocusing of energy away from CBMs and promises of future progress on preventive diplomacy and conflict resolution and towards specific problems requiring hard political choices and deadlines. In sum, the ARF would continue to perform long-term identity-, network-, and consensus-building, but it would actively sanction smaller groupings of states that would take the initiative on more pressing security challenges.

In practical terms, this means moving to a "Stage $1^1/_2$" set of pragmatic initiatives in which concrete progress can be made on serious issues. These will require a partial backing away from inclusive multilateralism, sometimes "leap-frogging" the slow CBM process, and the acceptance of risk that comes from granting confidence and trust rather than merely seeking its acquisition. The pay-offs, however, will be great. Security will be enhanced in a palpable way. The ARF, as NATO has done, will evolve and find renewed vigour.

In the next two sections of this article, the road to the ARF in its current form is discussed briefly. The challenges facing the ARF are then described, followed by a listing of the main conceptual barriers to its transformation into a more appropriate body. The last section briefly discusses two major security challenges — conventional arms proliferation, and the Spratly Islands — and ways that ARF sub-groupings might respond in an adaptive and productive way.

The European Model Rejected

How do actors with competing views work together to build an institution that will bring their viewpoints into alignment, or at least allow for co-ordination? Europe's experiences during the Cold War, more specifically the latter part, provide one model. The East-West struggle was tamed through the recognition of borders, arrangements on the avoidance of threatening behaviour, and agreements to co-operate in cultural, human rights, and the economic arenas. By the end of the Cold War, such CBMs provided the groundwork for a series of precise and verifiable arms control agreements that limited the most destabilizing weapons.[2] This security regime is usually described as formal and legalistic in that the numbers and types of weapons were detailed, borders were clearly marked and frequently utilized natural boundaries, and formal treaties were used when possible. Yet the regime also depended to a considerable extent on the engagement of the two superpowers, which not only exercised essential control over their

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allies but which could come to a basic agreement about what constituted destabilizing forces and doctrines. Furthermore, most states involved had influential communities of experts as well as popular activists who were interested in arms control and stability.

While this picture is somewhat simplified, it highlights differences between Cold War Europe and post-Cold War Asia. First, the agreements reached in the 1970s in Europe came after two decades of *de facto* territorial and bloc stability. At the end of a devastating war, armies occupied positions along new political borders. Smaller alliance partners who sought to upset this arrangement were convinced otherwise. The types of weapons and military doctrines were limited, because of geography and the dominant role of the superpowers. Shared views on the utility of legalistic agreements allowed for their creation when it suited the interest of both sides, and made domestic ratification easier. All states in the region experienced essential domestic stability or had it enforced on the rare occasion this appeared necessary to a more powerful actor. Finally, military establishments were either firmly under civilian control or else did not have significant roles in making security policies.

Given its apparent successes in contributing to and managing the end of the Cold War, it is not surprising that the European model was suggested as a template for dealing with the myriad security concerns of Asia. Canada and Australia were particularly interested in its application to the region. The model was explicitly rejected, however, for reasons that are readily understood. The Asia-Pacific is not divided into two armed camps, each unified by opposing ideologies and led by a superpower. Stability has been elusive, with more of it, arguably, in Northeast than in Southeast Asia. Territorial boundaries have always been in question, a fact complicated by overlapping maritime claims and the absence of means for strict enforcement. Weapons systems have proliferated, with little concern for long-term utility, cost-effectiveness, or interoperability. Defence doctrines have varied according to the balance of internal and external challenges. Western-style legalism has not been accepted for purposes of conflict resolution. Threats to security are great in number, variety and complexity. A range of political systems and socio-economic structures thrive. Regime stability is not guaranteed and is subject to several forms of stress. Most states in the region are in earlier stages of development than are European states, and cultural barriers to unity are more pronounced. Levels of intra-regional trade and economic interdependence are quite low and heavily oriented towards the industrialized states.[3]

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The ASEAN Model Projected

The ASEAN states commenced discussion of security issues with their Dialogue Partners at the 1991 ASEAN Post-Ministerial Conference. The end of the Cold War brought dramatic changes, including the withdrawal and then dissolution of the Soviet Union, a nuclear crisis on the Korean peninsula, continued economic growth and assertiveness by China, the potential for a more activist Japan following the Gulf War, and the danger of an isolationist United States. When the Clinton Administration revealed a renewed American interest in both multilateral diplomacy and democratization, ASEAN leaders took the lead to formulate the founding principles of what became, at the 1994 summit, the ASEAN Regional Forum. The ARF's origins, then, reflected not only an uncertain environment but also the multiplicity of security challenges. ASEAN's unwillingness to brook challenges to its tradition of non-interference was clearly evident.[4]

The ARF process and agenda are both testimonies to these multi-faceted interests and threats. The process is essentially the "ASEAN Way" of conducting international relations in which discussions are informal and private when necessary, and agreements are more or less unanimously arrived at. Likewise, the suggestion of agenda items is expected to hold no surprises. The structure of its "Track I" agenda has consisted of three sequential stages, beginning with CBMs, moving on to preventive diplomacy, and culminating in conflict resolution agreements. The foundation of the process is therefore Stage 1, confidence-building, and at the heart of Stage 1 is transparency in military forces, defence posture, and overall intentions.

The ARF also has a vibrant "Track II" component. These activities are exemplified by the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS) and the Council for Security Co-operation in the Asia-Pacific (CSCAP). Their work, which includes the writing of papers on transparency and peacekeeping issues, is discussed at ARF meetings. In reality, much of the discussions come under "Track 1½", with many scholars and institutes maintaining close relations with their host governments.

The ARF experiment is essentially one of identity-building. By concentrating on process, dialogue should lead to socialization which, in turn, will lead to the dissipation of conflicts of interests.[5] The accoutrements of identity appear to have proliferated. The Pacific Basin Economic Council, the Pacific Economic Co-operation Council, the Pacific Forum for Trade and Development, and the Asia-Pacific Economic Co-operation "have provided the links between nations in the region, which have allowed security dialogue to follow, transcending

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previous ideological and national divides."[6] Official Working Groups at each stage meet regularly and have garnered various levels of support from different groupings of governments on a wide range of confidence-building measures. A number of states have called for more formal and frequent exchanges among senior defence leaders, while co-operation on disaster relief has made substantial progress. Non-official channels for security dialogue have also proliferated.[7]

Challenges to the ARF

Many analysts see such steps as further evidence of the emergence of a security community.[8] Yet the range of simmering disputes, summarized in Table 1, belies the distance that the ARF still has to travel.

Even more significant are the dynamics that are not obvious from such a table and which, in the longer term, threaten stability. In the north, these revolve around three issues — China, the future of Japanese security policy, and the Korean stand-off. China is using its steady economic growth to modernize its armed forces and to develop a serious power-projection capability. The latter comes in the form of evolving plans and purchases for a blue-water fleet and long-range strike aircraft. At the same time, China has reiterated and expanded territorial claims ranging from Taiwan in the north to the Spratly islands in the South China Sea, while showing a willingness to rattle sabres and fire shots.

While it is clear that China's arms buildup will, if it continues unabated, alter the underlying dynamics of the region, it is not clear what the ARF as a whole, or individual states, can or will attempt to do about it. Engagement in the broadest sense has brought more dialogue, more frequent military-to-military contacts and some first-ever port visits by naval vessels. The policy is not, however, based upon behavioural expectations or standards with respect to China's foreign policy. Two cases in point are the origins of the Taiwan crisis of 1996 and the ongoing disputes over the Spratlys. In March 1996, China attempted to influence elections in Taiwan through massive and intensive military exercises, including missile-launching exercises using targets 30 miles from Taiwan's port cities of Jilong and Gaoziong. When these were announced, the U.S. Congress passed a non-binding resolution calling for the deployment of American forces to battle should China attack Taiwan. The crisis escalated as China conducted a series of live-ammunition naval and air force operations and the United States responded by sending two aircraft carriers to the area.[9]

How did such a crisis arise so quickly and unexpectedly? The notion that regularized contact and transparency of military capabilities

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TABLE 1

Country/Area	*International Dispute(s)*
Bangladesh	• boundary with India
Brunei	• may wish to purchase the Malaysian salient that divides the country • Spratly Islands claims • Louisa Reef "exclusive fishing zone" proclaimed
Cambodia	• offshore islands; boundary with Vietnam • maritime boundary with Vietnam • border with Thailand • maritime boundary with Thailand
China	• boundary with India • two sections of the boundary with Russia • boundary with Tajikistan • boundary with North Korea • Spratly Island claims • maritime boundary with Vietnam • Paracel Islands occupied by China, claimed by Vietnam and Taiwan • claims Japanese-administered Senkaku-shoto (Senkaku Islands/Diaoyu Tai) • land border with Vietnam
India	• boundary with China • status of Kashmir, against Pakistan • Indus River water resources, with Pakistan • boundary with Bangladesh
Indonesia	• sovereignty over East Timor Province • demarcation line with Vietnam on continental shelf in South China Sea, near Natuna Island • two islands in dispute with Malaysia
Japan	• Kurile Islands, against Russia • Liancourt Rocks (Takeshima/Tokdo) disputed with South Korea; • Senkaku-shoto (Senkaku Islands) claimed by China and Taiwan
North Korea	• 33-km section of boundary with China • Demarcation Line with South Korea
South Korea	• Demarcation Line with North Korea • Liancourt Rocks (Takeshima/Tokdo) claimed by Japan

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TABLE 1 – *continued*

Country/Area	*International Dispute(s)*
Laos	• parts of the border with Thailand
Malaysia	• Spratly Islands against China, Philippines, Taiwan, Vietnam, Brunei • Sabah State claimed by the Philippines • Malaysian salient dividing Brunei • two islands in dispute with Singapore • islands in Celebes Sea, in dispute with Indonesia • offshore demarcation line with Vietnam
Pakistan	• status of Kashmir, with India • Indus River water rights
Philippines	• Spratly Islands • claims Malaysian state of Sabah
Singapore	• two islands in dispute with Malaysia
Spratly Islands	• all of the Spratly Islands are claimed by China, Taiwan, and Vietnam; parts of them are claimed by Malaysia and the Philippines; • in 1984, Brunei established an exclusive fishing zone, which encompasses Louisa Reef in the southern Spratly Islands, but has not publicly claimed the island
Taiwan	• claims by China, Malaysia, Philippines, Vietnam, Brunei • Paracel Islands occupied by China, but claimed by Vietnam and Taiwan • Japanese-administered Senkaku-shoto (Senkaku Islands/Diaoyu Tai)
Thailand	• parts of the border with Laos, Cambodia • maritime boundary with Cambodia
Vietnam	• maritime boundary with Cambodia • Spratly Islands • maritime boundaries with China, Malaysia • Paracel Islands occupied by China • Offshore islands and sections of boundary with Cambodia • sections of land border with China • demarcation line with Indonesia on continental shelf near Natuna Island

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and intentions will lead to peaceful relations would have predicated the avoidance of such a crisis. After all, in addition to China being welcomed into the ARF, relations between China and the United States have undergone a process of normalization since 1971, hundreds of military exchanges and visits occur annually, and U.S., Chinese, and Taiwanese policies have been stated and restated for more than two decades. The crisis occurred because of Chinese increased capabilities and the absence of clear statements by the United States on what behaviour is acceptable or unacceptable, to use non-diplomatic language.

To the south, the dominant Chinese perspective is that the South China Sea is so named for obvious reasons, it having been an "internal lake", the southern-most point of Chinese territory, for more than two thousand years. China claims that it has "indisputable" sovereignty over the whole of the South China Sea and asserts a legal right to protect its sovereignty claims with force.[10] China has always considered itself a Southeast as well as Northeast Asian power, and regards its southernmost point of sovereignty to be James Shoal, one hundred and sixty kilometres north of Sarawak, Malaysia. In this view, Vietnam has usurped twenty-seven, the Philippines eight, Malaysia eight and Brunei one of these Chinese islands/reefs. As its military capabilities grew, China clashed with Vietnam over Johnson Reef in March 1988, and occupied Mischief Reef in February 1995. The construction of four concrete structures on Mischief Reef allows China's People's Liberation Army (PLA) to monitor closely the passage of warships along the Palawan international waterway.[11]

It is pointless to argue that China's navy would be vulnerable to the air and naval forces of several Southeast Asian states should it attempt serious military action around the small Spratly islets,[12] or that defending the Spratly islets "would be a drain, not an addition, to China's overall regional position" because they cannot serve as logistics centres.[13] The political use of conventional weapons does not require increased dominance, particularly when it is backed by the overall weight of China. More relevant would be an answer to the question, who would oppose China, and how? Beijing was taken aback by international reaction to its behaviour in both crises, especially following the disclosure of its presence on Mischief Reef. This probably indicates a lack of understanding by Beijing of unclear preferences on the part of other states with interests in the region.

Even without an aggressive China, other traditional balance-of-power conflicts are possible. Should Japan become, as many feel is inevitable, a "normal" state with military power and foreign policy commensurate with its economic might and national cohesion, this would rekindle animosities residual from its imperial era. Victims of

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past fascist aggression in Southeast Asia view Japan's future with as much caution as they do China's growth. Relations have been particularly strained between South Korea and Japan, although in recent years Japan has acknowledged responsibility in many aspects of the relationship (the "comfort women" issue excepted). Hence, Japan is caught in a triple bind: the natural course of time, with its effects on remembrance as well as economic growth, a leadership vacuum particularly in ASEAN and Southeast Asia, and U.S. encouragement are all causing it to assume a role which heightens suspicion among its neighbours.[14]

The Korean peninsula continues to host two armed camps with incompatible territorial and legitimacy claims. Miscalculation by the North remains a real possibility. The fact that the North could develop and deploy nuclear weapons has led to a series of near crises in the past several years. A humanitarian crisis of major proportions already exists in the North. Internal collapse would present South Korea, the United States and the United Nations with a number of grave decisions the outcomes of which are difficult to predict. Even a relatively peaceful collapse poses major problems, since under existing arrangements any major humanitarian effort would be led by a U.S. four-star general, which is probably unacceptable to China.[15]

In Southeast Asia, Malaysia has conflicting claims with Brunei and the Philippines, compounded by the Philippines' claim to Sabah and Malaysia's sympathies or support for Moro Muslim rebels.[16] A host of other issues abound. Since 1995 Indonesia has carried out major air and naval exercises around the Natuna Islands as a deterrent to China. Should China press its claim to the Spratlys, it would contend that its exclusive economic zone (EEZ) covers the natural gas fields just north of the Natunas. Indonesia and Australia also signed a security treaty that indirectly links Jakarta to the Five Power Defence Arrangements and to the U.S.-Australia relationship. Both of these developments came in the wake of China's seizing of Mischief Reef in 1995.[17]

Relations between Indonesia and Malaysia have been strained since the regional economic crisis. Malaysia is forcibly repatriating thousands of illegal Indonesians who had been working in Malaysia during the economic boom. Severe measures have resulted in several deaths at detention camps, prompting Indonesia and international bodies to claim human rights violations.[18] On mainland Southeast Asia, Thailand has a number of problems, including refugee flows from Myanmar and Cambodia into Thailand, Muslim separatists, and Myanmar and Cambodian forces raiding refugee camps.

Perhaps the most serious security concern for the United States is one that has received relatively little notice among the plethora of

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interstate and transnational irritations and conflicts — the legitimacy of various Asian governments.[19] The recent change of government in Indonesia did not fare as well as those in South Korea, Thailand, and the Philippines. President Habibie is still attempting to muster the political coalition to enact necessary reforms in either the military or the economy. Similarly, Malaysia is witnessing its first serious challenge to the rule of Prime Minister Mahathir Mohamad.

The ASEAN Model Stalling: Barriers to Progress

This brief summary is not intended to be apocalyptic but rather to point out that there are real security concerns, some of them near-term but all of them complex and potentially serious. Unfortunately, the recent Summits and Working Group meetings demonstrate that the ARF remains mired in Stage 1 issues, caught in a series of logical fallacies and questionable assumptions that have by now become embedded in the procedural identity of the Forum. These are described below:

Fallacy No. 1: *Inclusivity and unanimity are desirable and feasible on the most important issues of Asian security.*

Where desirability is concerned, two factors are relevant. First, there is a trade-off between inclusivity and the "teeth" that an agreement will have. The close examination of "large-N" treaties and other regimes shows that those with the highest levels of compliance and lowest levels of enforcement are also the least helpful in terms of making progress on the issue area that the regime is dealing with.[20] In other words, agreements including many states generally require only a small departure from the behaviour that most states would follow in any case. More ambitious agreements mean a greater incentive to defect, which, if it is to be prevented, requires enforcement or punishment.

Obviously, the ARF hamstrings itself with its requirement of region-wide inclusion. Including the great powers in dialogue on conventional arms limitations is like including OPEC (Organization of Petroleum Exporting Countries) in a global climate convention (which has been done) — states will join but the agreement is not likely to make much progress. Should Great Britain's opposition to a single monetary unit have vetoed that decision on the part of the European Union? Or can great strides be taken now and convergence occur at a later date? An imagined Singapore-Malaysia-Indonesia understanding on defence acquisitions may impose restrictions that Vietnam or Thailand will find absurd or irrelevant; yet they may be useful. A smaller number of states can attain a higher degree of agreement or conformity.

A second relevant factor is the absence of enforcement in the ARF's vision for the future development of its security agenda. Defection

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from a regime by a key member can seriously weaken the normative strength of that regime. It is possible, for example, that in the eyes of other leaderships, India and Pakistan have dual-handedly rewritten the norms surrounding the Non-Proliferation Treaty (NPT) and the Comprehensive Test Ban Treaty (CTBT), by essentially dictating the terms of their adherence and accession. It may now look to other states as though no serious costs will be inflicted should one decide to join the nuclear club before foregoing the proliferation or testing of nuclear weapons. While the present nebulous nature of the ARF's agreements may make defection unlikely, more serious agreements will require at least the consideration of enforcement mechanisms. Discussions on enforcement might begin in the context of existing economic arrangements.

As for feasibility, public statements and private interviews conducted by the author in 1998 suggest that two specious correlations have been drawn by some members of the community. One holds that regional (especially ASEAN) economic progress demonstrates the validity of the "ARF Path" for security issues. The second holds that progress in nuclear and WMD agreements foreshadows progress on more localized, complex disagreements.

For a variety of reasons, however, the gains from an agreement on economic, nuclear and WMD issues are more readily apparent to a majority of regional actors than are the gains from the settlement of territorial and resource issues. Similarly, the costs of economic non-cooperation or nuclear/WMD acquisition are clear. Most conflicts in the security arena require more work and harder choices in order to arrive at a positive-sum outcome. In addition, the security issues on which the ARF has achieved some consensus are the least difficult, and thus far it has not suggested a procedure or timetable for dealing with more difficult issues.

Should the ARF move into more treacherous waters it might learn from European mis-steps since the Cold War. Europe concentrated on economic integration to the exclusion of serious security matters, including the breakup of the Balkans. It thereby lost a chance not only of bringing peace to that sub-region, through more timely preventive diplomacy or military deployments, but it also postponed difficult decisions that could have led to greater security policy co-ordination earlier and with bigger payoffs.

Fallacy No. 2: *Identity-building and problem-solving have a sequential relationship, the latter being impossible or undesirable without the former.* This is embodied in the founding principle that CBMs should comprise the first stage of efforts, with a gradual move towards preventive diplomacy and conflict resolution. This turns on its

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head the logic of most perspectives on the history and potential future origins of conflict in Asia, which have arisen at least as much out of historical memory, threatening activities, or competition for resources or revenue as from misunderstanding and a lack of trust. Similarly, conflicts are normally resolved not merely through confidence-building but through an agreement to compromise on interests.

Although the circumstances are different, the path to stability and confidence in Europe has required a series of crises, and the message that emanated from them is that real compromise is required if war is to be averted. Compromises about territorial and sphere-of-interest claims had solidified for over two decades before CBMs were able to capitalize on these tough political choices. They then contributed to the building of a European identity that has since revealed itself in the adaptation and creativity (whether or not one agrees with their wisdom) demonstrated by the expansion of NATO and the Partnership for Peace.

Fallacy No. 3: *The most difficult issues should be deferred until easier ones are settled.* This is derived from the previous notion, for it holds that increased confidence will lead to an easier time for dealing with fundamental tensions or conflicts of interest. The Middle East peace process should be instructive here, demonstrating as it does the dangers of leaving intractable problems, such as the future of Jerusalem, for the final stages of conflict resolution. When this path is taken, initiative is left to a variety of domestic and international factors. Militant or strongly motivated interest groups can mobilize by taking advantage of time and inevitable mistakes on its own or by opposing leaderships. Economic fortunes can wane, contributing to a general feeling of tension or unease. Idiosyncratic variables, such as leadership changes or dramatic, unanticipated changes in security relationships, even those occurring on the other side of the globe, can all intercede to preclude resolution.

In some cases, difficult issues must be postponed. The conditions under which this is appropriate, however, is a matter of thoughtful investigation rather than one of ideology or faith. The logic of moving from agreements on port visits to agreements on the kinds of ships that the visiting state should buy and sail to port, for example, is not immediately clear. This would seem an appropriate area of research for "Track II" entities. Finally, in contrast to the Middle East example cited above, one should note that in Europe, before Helsinki and CBMs were possible, the question of Berlin was successfully settled. This required fifteen years, the crises of 1948–49 and 1958–61, Willy Brandt's leadership and *Ostpolitik*, strategic nuclear parity, and a diversion of the superpowers' interests to the Third World.

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Fallacy No. 4: *The most difficult issues should be left to "Track II" relations.* "Track II" is a vital aspect of the ARF process; however, it should not become an excuse for governments themselves to avoid hard political choices. Whereas U.S. and West European academics had long-standing connections with East European and Soviet academics and dissidents, "Track II" in Asia consists of a complicated web of non-official and semi-official individuals and organizations. Again, in contrast to the European experience, in Asia new and useful ideas that the second track espouses are unlikely to be adopted by agitating the mass public. The equivalent of a "nuclear freeze" movement is not likely to develop in most member states. One should examine more rigorously then, whether and under what conditions "Track II" activities will influence governments, and when the reverse will hold true.

There are several ways in which "Track II" diplomacy could lead to policy co-ordination among states. One theory holds that "epistemic communities" of individuals with similar values, beliefs about how the world works, and a common policy enterprise shape government policy by virtue of their recognized expertise. When such communities are international, states are able to reach agreement.[21] Another perspective notes the importance that the ideas generated by such communities become entrenched in government bureaucracies or other institutions. Domestic structure therefore mediates the impact of new thinking.[22] Others have demonstrated that acceptance of new ideas by an entrepreneurial leader may force the new orthodoxy on his government, as Mikhail Gorbachev may have done with the general concept of a "house of Europe" as well as with more specific notions on conventional arms and strategic missile defence.[23]

"Track II" work in the ARF is likely to have limited impact for several reasons. Domestic structures of its members vary across the widest range imaginable, in many instances blocking meaningful impact on government policy. The same can be said for both leaders' receptivity to new ideas and for the political leeway that they have for ushering in substantive policy changes. One is hardpressed to find how "Track II" analysis could help trace common ground among Japanese, Chinese and Malaysian approaches to peacekeeping, for example. When the ARF requirement for consensus is added to the two mediating factors of domestic structure and leadership, the problems for the "Track II" community are clear. Were the consensus norm to be dropped, however, "Track II" influence in the short term could increase greatly.

Fallacy No. 5: *Transparency is a valid foundation for confidence-building.* For the ARF mindset, military transparency is the *sine qua non* of confidence-building. Excellent work has been done by "Track

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II" working groups, which have not only conceptualized the problem in a sophisticated way but have offered concrete suggestions for adoption.[24] But transparency is confronted by several forces which together call into question the wisdom of retaining it as the cornerstone of confidence-building. One problem is that the reasons for weapons purchases vary from country to country and many of the motivations are impervious to either transparency or the benefits of confidence-building. Governments that use weapons acquisitions as a tool of civil-military relations or for government prestige will have a different approach to transparency than will those that purchase weapons for external security concerns.[25] A second problem is the assumption that transparency always contributes to the public good of increased security. However, many states in the region are unwilling to display their weaknesses in the interest of making their neighbour more confident. Incentives must be offered to less secure states and regimes.

Together, these dynamics mean that progress on military transparency will come slowly and will probably not achieve the kind of detail that is now pushed by the United States, Australia and other secure states. These participants wish to see the United Nations Register of Conventional Arms expanded in scope and made more relevant to Asia. While some progress has been made — with the considerable help of "Track II" expertise — on the issuance of defence White Papers, in the near term they will likely remain of limited help, as is Vietnam's recent White Paper. This Paper, by one of the region's most important armed forces, says virtually nothing about air or naval power, mobile forces, or organization.[26]

When does transparency lead to increased confidence? When does it cause greater insecurity? Are all significant intra-ARF military relationships served by greater transparency, in the same categories of weapons? Does the U.N. Register or an envisioned Asian counterpart address these complexities? The utility of different transparency efforts ought to be conceptualized in conjunction with specific relations between states, including their unique problems as well as their capacities for overcoming them. If the U.N. Register is conceived at one end of a spectrum with a CFE-type treaty, with its thousands of inspections, at the other, the variety of possible transparency arrangements becomes clear.

Fallacy No. 6: *The "ASEAN Way" must undergird the "ARF Path" because the European model is irrelevant.* The ARF has overemphasized structure and principle to the detriment of problem-solving. The diffusion of leadership in the ARF has precluded creative approaches to specific problems. Instead, elements of both models of security co-operation should be incorporated to address sub-regional challenges

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and the requirements of the individual countries. This third way — the flexible, pragmatic approach that emphasizes near-term solutions to hard problems — must be developed by individual ARF governments who are willing to step out of their familiar role.

The diversity of security perspectives throughout the Asia-Pacific region requires such an adjustment in approach. As the recent North Korean missile/satellite launch showed, every state still has different threat perceptions. The Philippines had an ambiguous reaction; Thailand claimed that it threatened regional stability but cautioned against over-reaction; Vietnam proclaimed it in contravention of the need for disarmament; while Japan was extremely alarmed. Singapore claimed that the regional economic crisis was more important, while Brunei, Indonesia, Laos, Malaysia, and Myanmar were restrained. The different threat perceptions require solutions tailored to each problem.

From Paralysis to Progress: Two Issues

These fallacies are proving detrimental to the ARF's ability to manage emerging conflict dynamics and, by implication, to the ARF's very future. Together, they explain why the ARF has not produced a security regime — an institution that not only provides for discussion but also redefines members' definitions of their self-interest. The ARF should not remain a forum for public statements of agreement on the lowest commonality of interests of its members. The result is illustrated by the history of the ARF's response to the Cambodian situation since 1988. The major powers defined the parameters of action, the ASEAN members followed a self-interested path, and the ARF as a whole ended up with a double-standard on its principle of non-intervention.[27]

Two conflict areas demonstrate this predicament and the outlines of possible solutions.

Conventional Arms: The Asian financial (and broader economic) crisis has presented a major opportunity for rationalizing the process of conventional weapons acquisition. The ARF is missing this opportunity by focusing on region-wide transparency rather than on bilateral or multilateral agreements on suitable defence capabilities. The region-wide approach does not tackle the disparate motivations behind arms acquisitions and, more broadly, arms transfer relationships. There are at least three different motivations behind the emerging patterns of weapons acquisitions: national prestige; concern with long-term Chinese capabilities; professionalizing the military or at least keeping it out of politics.

CBMs and weapons purchases thrived side by side during the economic boom of the 1980s and much of the 1990s.[28] Unless the

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unfortunate circumstances of the Asian financial crisis are capitalized on, there is little reason to believe that the arms purchases will not quickly return to pre-crisis levels as arms producers and sellers anticipate. More to the point, CBMs have not yet accomplished anything that would prevent or even deter such acquisitions.

The problem-solving approach would focus on two or three constellations of potentially threatening or destabilizing weapons systems deployed by or against a small number of states. The archipelagic states and the mainland states of Southeast Asia would be two possible groupings. Each would focus on the essential utility and disutility of their *major* weapons categories and come to some reasonable trade-offs among them. The ARF could play a vital role by injecting into the discussions new work on the social and economic costs of non-rational arms programmes. "Track II" groups could provide the necessary research.

The potential for *informal* or even *tacit* agreements on conventional arms acquisitions should be considered by "Track I", and examined in greater detail by "Track II" think-tanks. There are several advantages to tacit agreements. They avoid public pledges which can be uncomfortable, embarrassing, or show weakness. They sidestep the problem of domestic ratification, in whatever form that may take. They allow for the ability to re-negotiate quickly as circumstances change. Finally, informal agreements can be reached quickly in the first place — for example, on the verge of or at the end of a crisis.[29]

Since several of the important barriers to more collaborative arms acquisition policies are rooted in domestic politics, tacit agreements may ameliorate this problem. The question of intrusive verification is avoided as well, although third countries could probably help with this issue. In the end, they could generate a great deal of trust. As has been pointed out on numerous occasions, many of the most important agreements between the United States and the Soviet Union during the Cold War were informal or tacit.[30] They include the strategic arms treaties for extended periods of time, as well as the avoidance of troop-to-troop combat. Past and present informal agreements have probably contributed to peace on the Sino-Russian and Sino-Indian borders as well.

Spratly Islands: The principles of the United Nations Convention on Law of the Sea (UNCLOS) and the non-use of force are confronted by the continued growth in Chinese power-projection and the United States' hands-off policy, the latter a by-product of its strategy of engagement with China. Continuation of this policy will mean that Chinese sovereignty claims and military presence in the South China Sea will define the parameters of conflict resolution. Supporters and

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members of the ARF and its relevant working groups see a major success in China's supposed accession to the peaceful resolution of competing claims. Meanwhile, China continues to occupy reefs and islets at both ends of the Spratly Island chain and recently fortified its presence on Mischief Reef with further construction. More importantly, by 2010 China will have full air-support capabilities and most likely a major blue-water presence. When the future of Taiwan is examined by the few major powers with direct, vital interests at stake, the complex interaction between "peaceful resolution", the strength of Chinese claims and convictions, and the reality of the dangers of military escalation are all recognized. The ARF approach to the Spratlys issue, on the other hand, submerges such complexity as well as emerging trends.[31]

A problem-solving approach would maintain adherence to ARF and UNCLOS principles but would focus energy on bilateral resolutions to individual island claims. Were the ARF to support this approach, it might also bring pressure to bear on claimants to accept third-party mediation and non-binding arbitration, either from major external powers (unlikely because of their relations with the resource-developing corporations), or from non-involved regional actors. The ARF can play a useful role in forcing claimants to confront the fact that they will have to compromise on their sovereignty claims. If some progress is made on a bilateral basis, this may serve as a signal to China that it must also negotiate and compromise.

At the moment, no state has the ability to enforce consistently its sovereignty or even EEZ claims. The development of the means to do so, however, is inevitable. Agreements such as those discussed in the previous section, on conventional arms, may make this trend easier to deal with. They will be meaningless unless the small but critical steps discussed here are first taken. Together, progress in the two areas will allow actors to face up to the more difficult long-term issue of how to deal with the future naval presence of China and other states. It is better to get there conceptually and at the negotiating table than militarily on the water.

Conclusion

The ARF must be willing to move into uncharted territory in order to achieve limited but concrete results if it is to maintain relevance in the coming decade. Three general principles have been discussed as the possible basis for forward movement. First, sub-regional agreements and dialogue should be encouraged where results can be achieved. Secondly, tacit agreements and arrangements should be introduced in

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principle as a means to achieve medium-term arms accords. Thirdly, a small number of difficult issues should be addressed immediately, placing results ahead of — though not in place of — consensus and pronouncements that allow states to avoid problematic trends and hard political choices. Sub-regional leaders must find pragmatic solutions before trends in conventional arms and power projection overtake events, and before sovereignty claims become so entrenched that compromise is impossible. If the "ARF Path" is unable to produce the desired results, the pragmatic, near-term approach should be attempted.

NOTES

* The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.

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Creeping Assertiveness: China, the Philippines and the South China Sea Dispute

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This article examines the development of Sino-Philippine territorial disputes in the South China Sea during 1995–98. China's occupation of Mischief Reef in 1995 was part of a dual strategy of negotiation and occupation, influenced by domestic political factors. The weakness of the Philippine armed forces provided the People's Republic of China with an opportunity to extend its claims in the South China Sea, avoiding the possibility of military confrontation. The Philippines has pursued diplomacy to resolve the disputes, employing both bilateral and multilateral negotiations. Whilst these negotiations have met with some success, the primary issues remain unresolved. In its dispute with the PRC, the Philippines received unprecedented support from ASEAN, which viewed China's actions as damaging to regional stability. The United States provided very limited support to the Philippines as its vital national interests were not affected.

Introduction

The unresolved territorial disputes between the People's Republic of China (PRC) and the Philippines in the South China Sea have highlighted emerging trends and raised important issues pertaining to the security and stability of Southeast Asia. The disputes have not only had a significant impact on the shape of Sino-Philippine relations, but also underlined the important roles played by the Association of Southeast Asian Nations (ASEAN) and the United States in maintaining regional stability. This article identifies and addresses the salient issues raised

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by the disputes.[1] Firstly, the events of 1995–98 reinforce the notion that China is gradually expanding its presence in the South China Sea and concurrently indicating a willingness to settle the issue diplomatically. Secondly, the lack of a credible defence force has required the Philippines to negotiate with the PRC from a position of weakness, resulting in little concrete progress. Thirdly, during the dispute ASEAN was willing to take a united stand on the issue and indirectly rebuke China. The United States, on the other hand, was unwilling to commit itself to helping the Philippines militarily for fear of damaging its relations with the PRC.

Background

The territorial dispute between China and the Philippines centres around the ownership of about fifty small islands and reefs in the Spratly group in the South China Sea. The Spratly archipelago comprises more than 230 rock formations of varying sizes, the sovereignty of which is disputed by six parties — China, Taiwan, Vietnam, Malaysia, the Philippines, and Brunei. Three of the disputants (China, Taiwan and Vietnam) claim the entire chain, two (Malaysia and the Philippines) claim only certain parts of the group, whilst Brunei disputes a small part of the territorial waters. The fifty islands claimed by the Philippines are located 230 nautical miles west of Palawan island, and are known to Filipinos as the Kalayaans, a term which will be used throughout this article to distinguish them from the Spratly group as a whole. Sovereignty over the islands is important to the disputants not because of their intrinsic value, but because of the maritime resources which ownership would provide — such as valuable fishing grounds and, as yet, unproven quantities of hydrocarbons (oil and gas).[2]

China bases its claims in the South China Sea (including the Kalayaans) on the grounds of discovery and occupation going back 2,000 years. The PRC demonstrates its claim by reference to maps drawn up during the Han Dynasty (206 BC to AD 220) which purportedly show the Spratlys as part of its territory, and historical artifacts found on the islands indicating the presence of Chinese fishermen. The Philippine claim is much more recent. In 1956 Filipino national Thomas Cloma laid claim to the Kalayaans, declaring the islands *res nullius* as Japan had been forced to renounce their ownership at the 1951 San Francisco Peace Conference.[3] In 1974 Cloma "transferred" sovereignty of the islands to the Philippine Government, and in June 1978 the Kalayaans were declared Philippine territory by presidential decree. According to that decree, the Kalayaans belong to the Philippines "by

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reason of their proximity".[4] Since 1956 the Philippines has stationed military personnel on eight of the islands.

Prior to 1994, the question of ownership of the Kalayaans had not been a major irritant in Sino-Philippine relations. In April 1988, Philippine President Corazon Aquino made a high-profile trip to the PRC. Although trade issues topped the agenda in her meetings with Chinese officials, Aquino raised the issue of the Kalayaans with China's then paramount leader, Deng Xiaoping. Deng promised to shelve the sovereignty issue, engage in joint exploration and exploitation of maritime resources, and work towards a peaceful resolution of the issue.[5] In May 1994, the Philippine Department of Energy approved an application made by the U.S. oil company Vaalco, and its Philippine subsidiary Alcorn, to conduct a "desk top" oil exploration exercise near Reed Bank, 400 nautical miles west of Palawan.[6] Beijing protested the move as an infringement of Chinese sovereignty and also an infraction of the principle of joint exploration agreed to by Deng and Aquino in 1988.

The year 1995 marked a turning point in Sino-Philippine relations with the discovery of Chinese-built structures on Mischief Reef — a small, rocky outcrop lying 135 miles west of Palawan and well within the Philippine-claimed 200-mile Exclusive Economic Zone (EEZ). In January 1995, the captain of a Philippine fishing vessel reported that he and his crew had been detained for several days by Chinese troops on Mischief Reef.[7] Reconnaissance aircraft later confirmed the existence of Chinese structures on the Reef — four platforms on stilts, with three to four octagonal bunkers on each platform, equipped with satellite communication equipment. Eight Chinese naval vessels were also seen near the Reef. Philippine President Fidel Ramos condemned the construction of the structures as "inconsistent with international law and the spirit and content of the 1992 Manila ASEAN Declaration on the South China Sea to which both (countries) are parties".[8] Although the Ramos administration made a token military gesture by reinforcing the garrison on the Kalayaans, diplomacy was the only realistic option available to the Philippines to defuse the crisis. Philippine and Chinese officials held two rounds of discussions over the dispute, and ASEAN as a group raised the issue with the PRC in Hangzhou in April 1995. The Philippines' diplomatic strategy seemed to have paid off in August 1995 when the two countries agreed on a code of conduct. The code was aimed at preventing similar incidents occurring in the future, and increasing bilateral co-operation in the South China Sea.

The signing of the code of conduct did not, however, signal an end to the dispute. A minor skirmish took place between Chinese and

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Philippine warships in January 1996,[9] and between March and May of the same year it was reported that the structures on Mischief Reef had been upgraded.[10] In April 1997, tensions rose again when eight Chinese naval vessels were sighted near Mischief Reef and a new structure was seen on a reef six miles northeast of the Philippine-held Kota Island.[11] At the same time, two vessels owned by the Chinese State Oceanic Administration were intercepted by the Philippine Navy near Scarborough Shoal, a small reef lying 130 miles west of Luzon (Scarborough Shoal is not part of the Spratly group, but its ownership is disputed by both the PRC and the Philippines). The ships had been carrying Chinese and foreign amateur radio enthusiasts who had planned to make a broadcast from the reef.[12] The captains of the Chinese vessels informed their Filipino counterparts that the PRC considered Scarborough Shoal its territory, a claim rejected by the Ramos administration.[13] Not wishing to escalate tensions, the Chinese vessels withdrew. In mid-May, a group of Philippine congressmen sailed to Scarborough Shoal and planted the Philippine flag on the reef.

In October 1998, the issue of Mischief Reef came to prominence again when the Philippine Government produced photographs of Chinese vessels unloading construction materials at the reef. Subsequent photographs revealed Chinese workers constructing a large building adjacent to the original structures.[14] Manila condemned the move as a violation of the 1995 code of conduct, an assertion which the Chinese Foreign Ministry rejected.[15] Newly elected Philippine President Joseph Estrada raised the issue with Chinese President Jiang Zemin at the November 1998 Asia-Pacific Economic Co-operation (APEC) summit in Kuala Lumpur. The two leaders agreed to refer the matter to a panel of experts from both sides, and to consider joint use of the facilities.[16] Estrada also met with U.S. Vice-President Al Gore at the APEC meeting. Estrada reportedly told Gore that he was pushing the Philippine Senate to ratify the Visiting Forces Agreement (VFA) with the United States, and sought U.S. help to modernize the Armed Forces of the Philippines (AFP).[17] On 29 November, the Philippine Navy arrested twenty Chinese fishermen near Mischief Reef and charged them with illegal fishing.[18]

The Implications for PRC Policy in the South China Sea

Since the introduction of the open-door policy in 1978, the Chinese leadership has made economic modernization the PRC's overriding national priority. To facilitate this goal, China needs a peaceful regional environment in which to pursue economic reform. Hence, Chinese foreign policy since the early 1980s has emphasized economic co-operation with other countries. At the same time, however, there are

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certain core issues which the Chinese leadership is not prepared to compromise. Chief among these is sovereignty over areas which the PRC believes to be historically part of its territory, namely, Hong Kong, Macau and Taiwan, but also the South China Sea (including the Spratly and Paracel Islands). Although the PRC has worked hard to establish good relations with the ASEAN states during the past few decades, this unwillingness to compromise over sovereignty of the Spratly Islands has proved to be an obstacle to the smooth development of Sino-ASEAN relations. Whilst the South China Sea dispute does not involve all the ASEAN members (there are four ASEAN claimants — Malaysia, the Philippines, Brunei and Vietnam), it does have an impact on the stability of Southeast Asia and is therefore a concern to each member.

The events of 1995–98 have reinforced the view that the PRC is pursuing a policy of "creeping assertiveness" — a gradual policy of establishing a greater physical presence in the South China Sea, without recourse to military confrontation. This policy has two operational strategies. The first employs diplomacy — China repeatedly states that sovereignty of the islands is not open for negotiation, but that it is prepared to shelve the sovereignty issue, work towards a peaceful resolution of the dispute based on international law, and jointly develop the natural resources with the other claimants. The second strategy involves laying down territorial markers and, wherever possible, seizing unoccupied reefs and building structures on them. These markers and structures are then indicated on Chinese maps to delineate the extent of PRC claims. In accordance with the first strategy, China has taken part in both bilateral and multilateral discussions, including the Indonesian-sponsored workshops on the South China Sea,[19] and has declared that it will abide by the conventions of the 1982 United Nations Convention on the Law of the Sea (UNCLOS). Since 1988, China has followed the second strategy by laying down territorial markers and occupying a number of reefs. To consolidate its hold over these reefs, facilities capable of housing military personnel and berthing naval vessels have been constructed. These facilities are built in three stages.[20] The first stage consists of a small hut on stilts. This hut is then upgraded to a more complex structure of three to four octagonal bunkers (such as the kind constructed on Mischief Reef). The final stage involves the construction of a large brick fortress capable of housing more than fifty men. The work which began in October 1998 was widely seen as the third stage of construction, aimed at making the facilities more permanent.

Far more problematical than discerning what is the Chinese policy in the South China Sea is identifying the actors who shape that policy. Of particular interest is the role played by the People's Liberation Army

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(PLA). One school of thought posits that the decision to occupy Mischief Reef was taken by the PLA alone — either at the highest levels, or by low-ranking officers without the knowledge of their superior officers. With regard to the second group of actors, it has been suggested that low-ranking military personnel "on the ground" took the initiative to occupy the reef themselves. This idea is given credence by two factors: firstly, that Chinese officials had apparently admitted to the Philippine Government early on in the crisis that the occupation had been undertaken by low-ranking PLA officers "without the knowledge and consent of the Chinese government".[21] Secondly, elements of the Chinese navy operating independently of the PLA leadership had been repeatedly implicated in smuggling and acts of piracy in the South China Sea.[22] However, it seems unlikely that the Mischief Reef incident was the result of over-zealous, nationalist naval commanders seeking to extend China's maritime frontiers, or the work of "rogue" naval units. Building a military facility, albeit a small one, hundreds of miles from the Chinese mainland requires logistics which could only have been approved at the highest levels of the PLA leadership. Moreover, there were no obvious commercial benefits which "rogue" naval personnel could have derived from building such structures. The Philippine Government immediately rejected the notion that the facilities had been built without the knowledge of the Chinese Government.[23]

Having shown the unlikelihood of junior officers taking the initiative, attention is turned to the higher levels of the PLA. That senior PLA leaders do have a role to play in the formulation of Chinese foreign policy and national security has been established elsewhere.[24] Moreover, John W. Garver has argued that senior military officers have been quite influential in the direction that Chinese policy has taken in the South China Sea.[25] Whilst it is possible that the decision to occupy Mischief Reef was taken by the PLA leadership alone, and without the knowledge or approval of the civilian leadership, it seems more likely that events on Mischief Reef were the by-product of the jockeying for power in the initial moves of the post-Deng leadership struggle. The period 1994–96 has been characterized as one of internal power struggles within the Chinese leadership. China's former paramount leader Deng Xiaoping, whilst incapacitated and less able to influence government policy, was not yet dead, and his chosen successor, Jiang Zemin, was still in the process of consolidating his position as the "core" of the third generation of leaders. The support of the PLA was crucial in that consolidation process. In order to win the support of the PLA, Jiang may have been persuaded to pursue a more assertive foreign policy *vis-à-vis* the United States, the South China Sea, and especially Taiwan. By doing so, Jiang was able to display his nationalist credentials, winning

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the support of the PLA and neo-conservative factions within the leadership. Though Jiang probably did not initiate the chain of events which led to the occupation of the reef, he may have given the operation his blessing.

PLA influence on the conduct of Chinese foreign policy reached its zenith with the 1996 Taiwan Straits crisis. The PLA seemed to have been the main advocate of a hard-line approach towards the breakaway province in the run-up to the Taiwanese presidential election in March 1996, a policy which culminated in missile tests near the island. Since 1997, however, PLA influence seems to have waned. Jiang Zemin has now emerged as the undisputed core of the Chinese leadership, his position bolstered by the successful reversion of Hong Kong to Chinese sovereignty on 1 July 1997, and a series of high-profile summits with world leaders. An indication of how Jiang has become less reliant on the support of the military came in September 1998 when the PLA was ordered to divest itself of business interests and concentrate on professionalization.

The Mischief Reef and subsequent incidents can best be seen, therefore, as part of China's continuing policy of creeping assertiveness in the South China Sea, a policy formulated by the Chinese leadership and influenced by senior generals within the PLA. However, the occupation may also have been aimed at testing the reactions of ASEAN and the United States to Chinese policy. One of the most significant aspects of the incident is that it was the first time that China had occupied territory claimed by an ASEAN member. Previously, China's confrontations in the South China Sea had been exclusively with Vietnam.[26] Mischief Reef provided the Chinese leadership with a good opportunity for testing how ASEAN as a group would react to Chinese military facilities on a reef claimed by one of its members. Given that not all the members of ASEAN have territorial disputes with China, and that threat perceptions of the PRC differ quite widely between the member-states, China did not expect the regional grouping as a whole to take a united stand on the issue. It will be shown, in the next section, how these expectations proved wrong. Mischief Reef can also be interpreted as a test of the United States' stand on the South China Sea issue, and its commitment to its ally, the Philippines. The Chinese leadership probably calculated that the United States would not commit itself to the defence of a small reef in the South China Sea. These calculations were to prove correct.

Philippine Strategies towards the PRC

In this section the strategies that the Philippines has chosen to pursue

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in its relations with the PRC will be examined, both before and after the crisis at Mischief Reef. However, before going on to explore these strategies, we need to examine the country's changing strategic environment, particularly the American military withdrawal in 1992 and the state of the Armed Forces of the Philippines (AFP), as these factors have had an important impact on China's decision to occupy Mischief Reef.

The Closure of U.S. Military Bases and the Decline of the AFP

The Philippines' post-independence security environment was dominated by the United States. In 1947, the Philippines concluded a Military Bases Agreement (MBA) with the United States under which Washington would retain the use of its military bases. Defence links between the two countries were strengthened in 1951 with the conclusion of a Mutual Defence Treaty. By its terms, "an attack in the Pacific Area on either parties would be dangerous to its own peace and safety" and in such an event the United States "would act to meet the common dangers".[27] The United States and the Philippines were also tied to each other militarily through the 1954 Manila Pact, a defensive alliance which led to the creation of the Southeast Asia Treaty Organization (SEATO) in February 1955. Though SEATO has since become moribund, the Manila Pact remains in existence. The two most important U.S. bases in the Philippines were Clark Air Force Base and Subic Bay Naval Base. They were two of the United States' largest overseas bases and constituted an important hub in its global defence network. Moreover, the bases not only enhanced the United States' global power projection capabilities, but also provided the Philippines with a security umbrella. In fact, the deterrence effect of the bases was such that Washington had taken *de facto* responsibility for the Philippines' external defence. This allowed the AFP to concentrate its efforts on combatting internal security problems, such as communist insurgencies and separatist movements.

Despite the security which the bases provided, and the injection of much needed capital into the Philippine economy, their existence was a continual source of friction between the two countries. Anti-base activists argued that the bases made the Philippines a target for nuclear attack by the Soviet Union, that the promiscuous behaviour of U.S. servicemen was leading to an AIDS epidemic, and that Filipino workers there were underpaid and exploited. The strongest argument in favour of closing the bases was advanced by Filipino nationalists — that the American military presence had become a symbol of the Philippines'

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dependence on the United States. With the end of the Cold War, they argued, and the threat from the Soviet Union dissipated, it was time for the Americans to leave, and for the Philippines to stand on its own two feet. In 1991, volcanic ash from the Mount Pinatubo volcano rendered Clark Air Force Base unusable, and the United States withdrew. Although the United States military wanted to continue to use Subic Bay, the Philippine Senate voted to terminate the U.S. lease over the bases in September 1991. Washington chose not to re-negotiate the treaty as the closure of the bases fitted in with plans to "down-size" U.S. forces in the region following the end of the Cold War. In September 1992, the Americans handed over Subic Bay to the Philippine Government, and two months later, the last U.S. military personnel left the Philippines.

The Philippines' reliance on the United States to provide for its external defence had a negative impact on the operational capability of the AFP. Because the Americans had extensive air and naval forces based in the Philippines, successive governments had neglected to develop the Philippine air force and navy. The Philippine army fared somewhat better in terms of budgetary allocation as it had been tasked with dealing with communist insurgents and separatist movements. However, during the 1970s, and especially after the imposition of martial law by President Ferdinand Marcos in 1972, the role of the Philippine army became increasingly politicized. Carolina Hernandez has remarked that under martial law "the military became the primary basis of regime support as well as the primary implementing agency of the government".[28] The transformation of the AFP from a professional army to an internal security force had two important effects. Firstly, without the security umbrella provided by the United States, the AFP was incapable of providing the Philippines with a credible external defence capability. Secondly, the politicization of the army, and its close association with the Marcos regime, had created negative perceptions of the AFP amongst ordinary Filipinos. These negative perceptions were reinforced by a series of abortive coup attempts against the Aquino government carried out by elements of the AFP from 1987 to 1989. In an opinion poll conducted in May 1986, a plurality of respondents thought the size and budget of the AFP should be cut.[29]

With the departure of the U.S. military, the Philippine Government was left with the urgent task of modernizing the AFP. By the early 1990s, the AFP had fallen into a state of almost complete disrepair. The Philippine Navy consisted of eleven U.S. built corvettes, thirty-two small patrol craft, and several amphibious landing ships, all of World War II vintage.[30] The Philippine Air Force possessed seven elderly F-5 jet fighters, only five of which were air worthy. The army was in

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slightly better condition, but entirely geared towards dealing with internal security threats. Compared to its ASEAN partners, Philippine defence spending was very low (see Table 1).

In 1990, President Aquino urged the Philippine Congress to support a US$1 billion ten-year military modernization programme which would give priority to upgrading the air force and navy. The AFP lobbied for fast missile-armed patrol boats, long-range aircraft, multi-role jet fighters, and early-warning radar stations.[31] However, the modernization bill did not elicit widespread support from ordinary Filipinos or the Congress. The Marcos regime had ruined the Philippine economy, and politicians felt that funds for upgrading the AFP could be better spent on the provision of public services and tackling poverty. Moreover, many congressmen felt that the Philippines did not face any serious external threats; the threat posed by the Soviet Union had disappeared, Manila enjoyed good relations with its ASEAN partners, Japan was firmly locked into an alliance with the United States, and China, though increasing its defence spending, seemed too far away to be of concern. Besides, the Philippines still had its defence treaty with the United States. The military modernization bill remained in abeyance.

In May 1992, Fidel Ramos was elected President of the Philippines. A West-Point graduate, former AFP Chief of Staff and Vice-President in the Aquino administration, Ramos paid more attention to Philippine security than his predecessors. Ramos was well aware of the emasculated state of the Philippine military and, unlike many in Congress, he did not believe that the country would enjoy a totally benign strategic environment once the Americans had vacated their bases. Fears that the withdrawal of the Americans would leave the Philippines vulnerable to external threats were echoed by members of the Ramos government,

TABLE 1
ASEAN Defence Spending, 1989–95
(In US$ billions)

	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*
Brunei	NA	NA	NA	0.396	0.212	0.258	0.268
Indonesia	1.593	1.61	1.5	1.8	2.03	2.4	2.8
Malaysia	1.384	1.7	1.72	2.5	2.64	3.1	3.5
Singapore	1.49	1.7	2.13	2.5	2.44	3.1	4.0
Thailand	1.8	2.06	2.4	2.9	3.12	3.6	3.9
Philippines	1.28	0.928	0.986	1.1	0.749	1.1	1.2

SOURCE: Institute of International and Strategic Studies, *The Military Balance* (London: Oxford University Press, 1989–95).

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including Defence Secretary Renato de Villa, who openly admitted that "Until the armed forces have completed their modernisation programme, then we have very limited capability to defend ourselves in the air and at sea".[32]

Ramos was primarily concerned with the Philippines inability to defend its territorial claims in the South China Sea. The Kalayaans were increasingly seen as an important economic asset for the Philippines to exploit. The waters around the Kalayaans are rich in fish stocks — in 1993 Filipino fishermen landed 162,455 tons of commercial fish off the island of Palawan, representing nearly 20 per cent of the total Philippine catch.[33] Of greater importance is the potential for energy resources. Manila hoped that by exploiting oil and gas from the Kalayaan group, the country could achieve energy self-sufficiency early in the twenty-first century. However, fears that the South China Sea dispute could spark a military confrontation had been engendered by two developments. First, in February 1992 the Chinese National People's Congress passed the Territorial Law of the Sea, by which the PRC claimed sovereignty over the Paracels and Spratlys, effectively turning the South China Sea into a "Chinese lake". Fears of growing Chinese assertiveness in the South China Sea were reinforced when PLA forces occupied Da Lac reef near Vietnam on 4 July 1994. Secondly, the substantial reduction of Russian forces at Cam Ranh Bay in Vietnam and the "down-sizing" of the U.S. military in the region had created uncertainty as to the strategic contours of post-Cold War Southeast Asia. A fear shared by many in the region was that a "power vacuum" was developing, one which might be filled by China, whose long-term intentions remained unknown. It was Raul Manglapus, the former Philippine Foreign Minister, who specifically identified China as the primary threat to regional stability when he said "China slept for a long time under a soporific ideology. Now it is waking up... China is merely living up to historical expectations that being such a big country, it would not fail to flex its muscles".[34] Speaking in July 1992 on the South China Sea, Ramos said there was "an urgent necessity to seek a solution... Lest the unsettled situation lead to parlous developments".[35] Ramos hoped that a combination of strategies would secure the Philippines' position in the Kalayaans.

Military Modernization

Recognizing the deficiencies of the AFP, Ramos made the modernization of the Philippine military one of the goals of his administration. However, budgetary constraints and political opposition prevented any meaningful progress in this area, and when the Mischief Reef incident occurred in

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1995, the AFP was incapable of mounting an effective military challenge to the PLA, especially at sea. Foreign Minister Romulo stated that in seeking to resolve the dispute and persuade the PRC to withdraw its troops and dismantle the structures, the Philippines would not employ force.[36]

The dispute focused attention on the weaknesses of the Philippine military and the pressing need to proceed with the defence modernization programme. A few weeks after the existence of the Chinese structures was reported, Congress introduced a fifteen-year US$12.6 billion defence modernization bill, originally outlined by Ramos in 1989.[37] Philippine officials were, however, at pains to point out that the bill was not connected with the Mischief Reef incident, claiming instead that the termination of the communist insurgency and the closure of U.S. military bases had enabled military planners to turn their attention towards external defence.[38] During the first five years of the programme, the AFP was to receive US$1.9 billion to purchase a squadron of multi-role jet fighters, twelve off-shore patrol vessels, and new air defence radar.[39] However, despite the urgent need for the Philippines to upgrade its military forces, the bill was not passed until December 1996. Since then, the operational capability of the AFP has improved little.[40]

The Diplomatic Option

Engagement with China

There was a high-degree of continuity between Aquino and Ramos in terms of engagement with China, made possible because relations with the PRC were not an electoral issue. However, Ramos paid more attention to the strategic dimension of the relationship than his predecessor. In April 1993, Ramos paid a state visit to the PRC, but unlike Aquino's trip in 1988, security issues were high on the agenda. During his trip, President Jiang Zemin assured Ramos that he wished to resolve the South China Sea dispute peacefully, and that neighbouring countries should not be alarmed by China's defence modernization programme. On his return to Manila, Ramos announced that he had been reassured by the Chinese leadership.[41]

The occupation of Mischief Reef therefore came as a blow to the policy of engagement. However, in seeking to resolve the issue, diplomacy remained the only credible option open to the Philippines to pursue. Manila hoped that by pursuing negotiations, Beijing would dismantle the structures. In August 1995, after two rounds of bilateral discussions, China and the Philippines agreed on a code of conduct to avoid future incidents in the South China Sea and to increase maritime

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co-operation. The principles of the code stressed freedom of navigation, non-use of force, and bilateral co-operation. More importantly, the code sought to maintain the status quo in the Kalayaans; no further facilities should be built by either side nor upgraded, and each side was to inform the other of all naval movements around the disputed islands. Whilst the negotiations had failed to achieve the removal of the structures from Mischief Reef, the Ramos government was satisfied that the code would ease tensions in the South China Sea and prevent similar incidents occurring in the future. During the negotiations, both sides agreed to a series of confidence-building measures, including joint fisheries exploration and military exchanges. Although these measures have contributed to an improvement in Sino-Philippine relations, Manila has been frustrated by what it regards as continuing violations of the code of conduct. As noted earlier, these included an incident involving Chinese naval vessels and the AFP in January 1996, the up-grading of facilities on Mischief Reef in May 1996, the sighting of a new "hut-like structure" near Kota Island in April 1997, the dispatch of Chinese research vessels to Scarborough Shoal, and most recently, the construction of a permanent structure on Mischief Reef.

The Importance of ASEAN

Of crucial importance to the Philippines' diplomatic strategy in its dispute with China was the support of ASEAN. By gaining the support of ASEAN as a group, the Philippines could confidently assert to China that its actions in Mischief Reef were viewed with concern and that Chinese behaviour was seen as undermining the stability of the region, something the PRC needed to realize its economic modernization programme. The Ramos government wanted a statement from ASEAN censuring China's behaviour and supporting the Philippine position on the issue. On 18 March, ASEAN foreign ministers issued a statement expressing "serious concern" over developments in the South China Sea and urged both parties to abide by the 1992 Manila Declaration.[42] The statement was also endorsed by Vietnam.[43] Though it did not name China directly, the statement sent a clear message to Beijing that the PRC should desist from engaging in destabilizing activities in the South China Sea and to abide by the principles of the 1992 Manila Declaration if Sino-ASEAN relations were to prosper.

The Philippines was able to build on this ASEAN consensus in April 1995 when the first China-ASEAN Forum took place in Hangzhou. Officially, the issue of the South China Sea was not on the agenda. However, at an informal meeting on the eve of the formal sessions, ASEAN and Chinese officials held a meeting solely to discuss the issue. The leader of the ASEAN delegation told the Chinese side that its

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recent conduct in the South China Sea had had a negative impact on the stability of the Asia-Pacific region, and that, in accordance with the 1992 Manila Declaration, the issue should be settled peacefully. ASEAN stressed that China's actions had set back efforts to build trust between Beijing and the regional grouping. Under-Secretary Rodolfo Severino was satisfied that his ASEAN partners had backed the Philippines, and expressed its concern over developments in "unusually forceful terms".[44] Foreign Minister Romulo expressed his "gratification" that ASEAN had spoken "with one voice".[45] The Chinese side was undoubtedly taken aback by ASEAN's reaction.

The Ramos government wanted to take the issue further, to the ASEAN Regional Forum (ARF) which was due to hold its first working session in Brunei in May 1995. Severino made the case forcefully when he stated "...if [the ARF] is a forum for consultation worthy of the name, I don't see how it can avoid discussing the issue".[46] Severino wanted ASEAN to raise the issue collectively with China. However, the Philippines' ASEAN partners were unwilling to adopt such a strategy, fearing it might antagonize China and jeopardize the talks. Lim Jock Seng, the leader of the ASEAN delegation, urged that confrontation with China should be avoided; "we must settle the issue in the spirit of ASEAN".[47] The Philippine side was disappointed, but the decision had avoided a potentially damaging conflict between ASEAN and China in the formative stages of the ARF. China had indicated that it did not want Mischief Reef discussed at ARF meetings,[48] and there were limits to how far ASEAN was willing to push the PRC.

Chinese objections had prevented the issue of Mischief Reef being put on the agenda of the second ARF meeting in Brunei on 1–3 August 1995. However, as in the case of the Hangzhou meeting, ASEAN was able to raise the issue with China in a consultative session before formal talks began. The meeting was chaired by Ali Alatas, Indonesia's Foreign Minister, and attended by Chinese Foreign Minister Qian Qichen. During the meeting, Alatas expressed ASEAN's anxiety over the territorial disputes in the South China Sea and the potential for conflict over the islands. Such conflict, Alatas suggested, could "undermine regional stability".[49] In the face of ASEAN opposition, Qian stated that China was willing to resolve its territorial disputes with the other claimants based on UNCLOS.[50] Alatas said that Beijing's acceptance of UNCLOS was a "welcome clarification". He also welcomed China's willingness to discuss the South China Sea issue in multilateral fora, unlike previously when Beijing had favoured bilateral negotiations.

ASEAN optimism over China's stated intention to solve the territorial disputes by reference to UNCLOS was short-lived. In May 1996, the Chinese Government announced that, in accordance with the

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provisions laid down in UNCLOS, it was expanding its "baseline" claim (the point at which a country can define its twelve-mile territorial sea and 200-mile EEZ) to the Paracel Islands, thereby extending its territorial claims in the South China Sea by 965,000 square miles. The announcement was immediately condemned by the Philippines as a move which "disturbs the stability of the area and sets back the spirit of co-operation".[51] The Philippines argued that the move was invalid because the PRC is not an archipelagic state. ASEAN raised the issue with China at the second China-ASEAN Forum held in Bukittingi, Indonesia, in June 1996.[52]

The Role of the United States

When Ramos came to power, he inherited the decision to terminate the bases agreement with the United States, a decision which he strongly opposed. Though Ramos could do nothing to reverse it, he hoped that the presence of U.S. forces in other parts of Asia would help ensure regional stability, and provide a limited security umbrella for the Philippines. Moreover, many observers in the Philippines still had confidence that the United States would come to its aid if a confrontation occurred in the Kalayaans. According to the terms of the 1951 Mutual Defence Treaty, the United States was obliged to assist the Philippines in the event of an "armed attack". "Armed attack" was understood to be "on the metropolitan territory of either of the Parties or on the island territories under its jurisdiction in the Pacific Ocean, its armed forces, public vessels or aircraft in the Pacific".[53] This confidence that the United States would help the Philippines militarily in the South China Sea was articulated by Defence Secretary de Villa in 1992:

> We still have a mutual defence treaty with the United States. If we are attacked from the outside — which is not likely to happen in the first place — if the Philippine government invoked this treaty, then the United States will have to come to our aid in defending us.[54]

However, the United States was somewhat ambiguous on what it would do if the Philippines faced a crisis in the Kalayaans. On the one hand, Washington was at pains to point out that it would stand by its treaty obligations with the Philippines, and come to its aid in times of crisis. Asked specifically about the South China Sea, U.S. Ambassador to the Philippines, Frank Wisner, stated: "The United States is not going to stand idly by if there is another threat to peace in this part of the world, particularly if it affects a friend of the United States".[55] Richard Solomon, U.S. Assistant Secretary of State for East Asian Affairs, declared, "Even where defence treaties are not involved...where aggression occurs, and where our interests are involved, or the interests

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and security of our allies and friends, the United States does not cop out".[56] On the other hand, the United States never made an absolute commitment to aid the Philippines if conflict were to break out in the Kalayaans. Indeed, at times, the United States had indicated that it did not think the Kalayaans were covered by the 1951 Treaty, because the islands were not officially incorporated until 1978.[57] The United States thus saw the 1951 Treaty as a statement of intent to aid the Philippines only if the national interests of both countries were threatened. Historical precedents illustrating the U.S. stance include the PLA's seizure of the Paracel Islands in 1974 from South Vietnam (an ally of Washington) and, in the case of the Philippines, U.S. refusal to support Manila in its struggle against Muslim secessionists.[58] President Ramos himself seemed unconvinced of U.S. commitments to the Philippines. As the last U.S. military personnel left the country in November 1992, he suggested the 1951 Treaty needed to be revised, clearly stating the circumstances in which Washington would assist Manila militarily.[59]

The Philippine Government reluctantly recognized that the United States felt unable to apply the provisions of the 1951 Treaty to the Mischief Reef issue, and in this they were disappointed, especially after Washington had promised to stand by its ally in times of crisis. Moreover, Manila was perplexed and angered by the attitude of the U.S. Government. The structures on Mischief Reef were constructed some time between June and December 1994 and, according to one senior AFP official, the Americans knew of their existence at least several months before they were reported to the Philippine coastguard. That official suggested that the United States had deliberately withheld the information as a way of reminding the Philippines that since the Americans had been expelled from Subic, Manila could no longer automatically expect Washington to share intelligence with the Philippine Government and its defence agencies.[60] In fact, the U.S. military initially denied that they had had any knowledge of the structures before February 1995. However, in March 1995 when Admiral Richard Macke, Commander-in-Chief of the U.S. Pacific Command, was asked how it was that the activities of the Chinese Navy had gone on undetected in the South China Sea for nearly six months, he responded "I didn't say we didn't know anything about it... We don't get surprised an awful lot".[61] Manila was angered that the United States had known of the structures several months before the AFP but had not informed them, and when the AFP requested further information from the Pentagon they were refused.[62] This was despite the fact that Admiral William Owens, vice-chairman of the U.S. Joint Chiefs of Staff, had said that the U.S. military "cared a lot about sharing important intelligence with our allies".[63]

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Whether the failure to alert Manila to the existence of the Chinese facilities on Mischief Reef was the result of a gap in the U.S. intelligence gathering network caused by the closure of its bases in the Philippines,[64] or because Washington wanted to demonstrate to Manila the need for continued U.S. military access to the Philippines, the message was clear: Mischief Reef was not considered vital to the security of the United States, and consequently, the Philippines would have to fend for itself. Although the United States viewed events with concern, its primary interest was freedom of navigation — keeping the sea-lanes open for international maritime traffic.[65] The statement of concern issued by the State Department indicated that the United States believed that the likelihood of a major military confrontation between China and the Philippines was extremely low.[66]

Washington thought that the Philippines and its ASEAN partners should act together to try to curb Chinese behaviour in the South China Sea, and that the ideal forum to raise the issue would be the ARF. Winston Lord, Assistant Secretary of State for East Asian and Pacific Affairs, commented that if the ARF was to be "credible" it must address "key regional security issues" such as the Spratly Islands.[67] America's decision not to aid the Philippines militarily was defended by Stephen Wrage, Associate Professor at the U.S. Naval Academy, in a seminar given in Singapore.[68] Wrage argued that had the United States provided military assistance to the Philippines, it would have significantly raised tensions in the area, possibly leading to a Sino-U.S. military clash. The resulting damage to bilateral relations would have set back efforts on such issues as non-proliferation and further opening of the Chinese market. Instead, Wrage asserted, it was better for ASEAN to deal with China at multilateral fora.[69] However, as shown, ASEAN was unwilling to raise the issue formally at the ARF for fear of antagonizing China.

Mischief Reef and Scarborough Shoal have helped focus attention on the need to put U.S.-Philippine security relations on a firmer footing. However, the presence of U.S. military personnel on Philippine soil, or even of visiting U.S. warships, is still politically sensitive. In the Philippine Congress, opinion is split between those who do not want to see American troops back on Philippine soil and those who seek a greater U.S. military presence to deter China from further acts in the Kalayaans. Political opponents and Filipino nationalists had accused Ramos of using Mischief Reef and the "Chinese bogeyman" to "lure the Americans back".[70] Others have called for the 1951 Mutual Defence Treaty to be revised to include the Philippines 200-nautical mile EEZ and the disputed islands within.[71] The Philippines thus faces a dilemma. On the one hand, the weakness of the AFP dictates that Manila needs the support, or at least the presence of, the U.S. military. On the other

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hand, the Philippines does not want to revert to a dependent relationship with the United States. Symbolic of this dilemma is the argument over the Visiting Forces Arrangement (VFA). Initially, Washington wanted legal immunity for all U.S. military personnel committing crimes in the Philippines, which the Philippine side rejected. Eventually, in January 1998, a compromise was reached whereby crimes committed by U.S. military personnel on duty in the Philippines would be dealt with by U.S. military authorities, whereas crimes committed off-duty would be handled by Philippine courts.[72] However, the Philippine Senate still viewed the agreement as very one-sided, and to date has refused to ratify the VFA.

Philippine Perceptions of the PRC: Continuity and Change

The events of 1995–98 have had a negative impact on Philippine perceptions of the PRC. Prior to 1995, most Filipino politicians, government officials and academics viewed the PRC in a positive light, based on a history of largely friendly and trouble-free bilateral relations. The PRC's establishment of an armed outpost a mere 135 nautical miles from Palawan came as a great shock to the Filipinos, and was a turning point in how they perceived the PRC. But the implications of Mischief Reef go far beyond the sovereignty of a rocky outcrop in the South China Sea. Ramos has remarked that the Spratly Islands have become "a litmus test of whether China, as a great power, intends to play by international rules or makes its own".[73] Since 1995, he has voiced concern on a number of occasions on how an economically and militarily strong China might assert itself in the future. In a speech delivered in Hawaii, Ramos said;

> China will unavoidably press — politically and militarily — on East Asia, even if Beijing made no effort to build up its capability to project power beyond its strategic borders... How China exercises its political and military clout must concern us all.[74]

In fact, the views of Fidel Ramos mirror those of other leaders in Southeast Asia. The region supports the economic development of China, not only because it provides the ASEAN countries with valuable investment opportunities, but also because a stable China is very much in the interest of regional stability. Moreover, despite the events of 1995–98, most observers in the Philippines still support engagement with the PRC; pursuing confidence-building measures and security dialogue, encouraging China's participation in multilateral fora, and fostering economic interdependence. By pursuing these strategies, the Philippines hopes to see the PRC become a more democratic and

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responsible member of the international community — a country which is attuned to the sentiments and sensitivities of its neighbours.

Whilst the Philippines advocates political and economic engagement with China, it also favours the continued military presence of the United States in the Asia-Pacific region — a policy referred to in many ASEAN capitals as "engagement with insurance". The "engagement with insurance" strategy thus recognizes that ASEAN–China dialogue and economic interdependence alone cannot be relied on to address security concerns associated with the rise of China — the United States is needed to balance China. However, the Mischief Reef incident has led many to wonder just how deep U.S. commitment to the stability of Southeast Asia goes.

Conclusion

The events surrounding Sino-Philippine territorial disputes serve to highlight a number of important trends in the South China Sea dispute, as well as the security of Southeast Asia. Firstly, the events of 1995–98 illustrate well the PRC's two-pronged strategy in the South China Sea — willingness to discuss the possibility of joint exploration and other forms of co-operation, whilst at the same time establishing a greater presence in and around the disputed reefs. However, the PRC has eschewed military confrontation with the other claimants for fear of damaging relations with ASEAN and pushing the regional grouping closer to the United States. The weakness of the Philippine military provided the PRC with the opportunity to extend its claims with little risk of military action. Chinese policy in the South China Sea has been consistent, but subject to the influence of the PLA during periods of factional infighting. As President Jiang consolidates his position within the Chinese leadership, the role of the PLA may diminish.

Secondly, the occupation of Mischief Reef elicited a strong diplomatic reaction from ASEAN, an indication of the group's growing concern over China's increasingly assertive behaviour. Given the differing perceptions of the PRC among the ASEAN countries, and the fact that not all its members are claimants in the South China Sea dispute, China probably did not expect such a strong rebuke. It shows that although ASEAN did not have a cohesive policy towards China, it came together on an issue considered important to regional stability. However, in the aftermath of the Asian financial crisis, and the resultant strains in ASEAN unity, it remains to be seen whether or not ASEAN can again muster a similar united stand.

Thirdly, the Mischief Reef incident once again calls into question the commitment of the United States to the security of Southeast Asia.

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The United States had made plain its commitment to aid the Philippines in times of crisis. However, Washington is not prepared to risk damaging its relations with China by involving itself in the South China Sea dispute, unless and until freedom of navigation is at stake. Whilst the United States favours a forward deployment in Southeast Asia, it hopes ASEAN can address its security concerns with China through the ARF and other multilateral fora. Progress there has been limited.

Fourthly, whilst the Philippines' diplomatic strategy has paid some dividends, its primary objective of seeing the Chinese structures removed from Mischief Reef remains unfulfilled, and calls into question the effectiveness of bilateral negotiations with the PRC. Other strategies are required, including cultivating defence links with external powers and greater security co-operation among the ASEAN states. In the present climate of economic distress and inter-ASEAN tension, such co-operation may be impossible to achieve, with serious implications for regional security.

NOTES

1. In March 1998 the author conducted a number of interviews in Manila with officials from the Department of Foreign Affairs (DFA), the Department of National Defence (DND) and the Armed Forces of the Philippines (AFP). Due to the sensitivity of the subject, all interviewees requested anonymity. This article mainly draws on the Philippine perspective of the South China Sea dispute and is part of a broader study on ASEAN threat perceptions *vis-à-vis* the PRC. Official Chinese pronouncements are taken to represent the position of the Chinese Government.
2. Estimates vary considerably as to the extent of oil and gas deposits in the Spratlys. Russian geologists estimate reserves at 7.5 billion barrels, 70 per cent of which would be natural gas. See "Spratlys Islands — Chinese Bureaucrats Draw the Line in South China Sea," *Petroleum Economist*, 25 July 1995. The Chinese Geology and Mineral Resources Ministry estimates reserves at 17.7 billion barrels. See Pan Shiying, "The Nansha Islands: A Chinese Point of View", *Window* [Hong Kong], 3 September 1993, p. 28.
3. Merliza Makinano, *Understanding the South China Sea Dispute* (Quezon City, Philippines: Office of Strategic and Special Studies, Armed Forces of the Philippines, 1998), p. 11.
4. Ibid.
5. "Aquino returns from China", *Kyodo International News*, 17 April 1988.
6. A desk-top exploration involves collating geological data gathered by other companies and government departments to ascertain oil reserves. See "Troubled Waters", *Far Eastern Economic Review* (hereafter cited as *FEER*), 30 June 1994, p. 20.
7. Makinano, op. cit., p. 20.
8. "Ramos: Sinos occupying RP reef in Spratlys", *Philippine Daily Inquirer*, 9 February 1995.
9. On 22 January 1996, the Philippine Navy claimed that one of its vessels had been involved in a 90-minute "gun battle" with Chinese naval ships 70 miles northwest

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of Manila. President Ramos sought to down-play the incident as a Chinese smuggling operation. See "Philippines: Shots in the Spratlys", *Jane's Intelligence Review*, 1 March 1996, p. 98.

10. Between March and May 1996, the AFP reported that the facilities on Mischief Reef were being upgraded with the addition of "electronic equipment". See "Military official says China upgrading structures on Mischief Reef", *BBC Monitoring Service: Asia Pacific*, 5 March 1996; and "Philippines navy 'not alarmed' by new Chinese structures on disputed reef", *BBC Monitoring Service: Asia Pacific*, 22 May 1996.
11. "Manila drafting protest over China Spratly move", *Reuters News Service*, 30 April 1997.
12. The radio "hams" were keen to visit the reef as it had recently been designated a "country" by the American Radio Relay League, which sponsors a programme known as the "DX Century Club". To gain entrance to this club, enthusiasts must make contacts with other hams from 100 "countries". For a more detailed account, visit the expedition's website at www.iglou.com/n4gn/sr/.
13. "Ramos asserts claim to outcrop", *South China Morning Post*, 22 May 1997.
14. "Erap to tackle Spratlys with Chinese leader", *Philippine Daily Inquirer*, 7 November 1998.
15. Chinese Foreign Ministry spokesman Zhu Bangxao claimed that "renovation" work was being carried out on Mischief Reef and that no violation of the code had taken place. The Chinese side also stated that Beijing had informed Manila of its intention to carry out maintenance work on Mischief Reef on 15 October 1998. "China: No violation of code of conduct", *Philippine Daily Inquirer*, 8 November 1998.
16. "Estrada, Jiang discuss Mischief", *Philippine Daily Inquirer*, 18 November 1998.
17. "Erap wins US support on Mischief", *Philippine Daily Inquirer*, 19 November 1998.
18. "Philippine Navy nabs 20 Chinese fishermen", *Philippine Daily Inquirer*, 1 December 1998.
19. In January 1990 the first Indonesian sponsored workshop was held in Bali. A second meeting was held in Bandung in 1991 and was attended by officials and academics from all the ASEAN members, China, Vietnam, Taiwan and Laos. These workshops led to the 1992 Manila Declaration passed at a meeting of ASEAN foreign ministers in 1992. The Manila Declaration calls on all claimant countries to abide by the principles laid down in the ASEAN Treaty of Amity and Co-operation, rejecting the use of force, and jointly exploiting and managing maritime resources.
20. An article written by Pan Shiying in 1993 includes an interesting set of photographs outlining the three stages of development of a Chinese facility in the South China Sea. Pan Shiying, op. cit., pp. 32–33.
21. "Philippines orders forces strengthened in Spratlys", *Reuters News Service*, 15 February 1995.
22. According to a confidential report compiled by the Hong Kong Marine Department, and obtained by the *South China Morning Post*, of nearly 200 acts of piracy committed between 1992 and 1995, nearly half were linked to armed Chinese customs, police or naval vessels. See "Hye Mieko attack triggers upsurge in piracy", *South China Morning Post*, 28 June 1995.
23. "Dragon flexes its muscles in islands dispute", *Independent on Sunday* (London), 19 March 1995.
24. See Michael D. Swaine, *The Role of the Chinese Military in National Security Policymaking* (Santa Monica: RAND National Defense Research Institute, 1996).
25. John W. Garver, "China's Push through the South China Sea: The Interaction of Bureaucratic and National Interests", *China Quarterly*, no. 132 (December 1992), pp. 999–1028.

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26. In 1974 the PLA evicted South Vietnamese military forces from the Paracel Islands, and in 1988 a naval clash in the Spratlys involving warships from both countries resulted in the death of 74 Vietnamese sailors. Though no further military clashes have occurred between China and Vietnam after 1988, the two countries have pursued a "cat and mouse" strategy in the South China Sea by exploring for oil in areas claimed by the other side. See Ramses Amer, "The Territorial Disputes between China and Vietnam and Regional Stability", *Contemporary Southeast Asia* 19, no. 1 (June 1997): 86–113.
27. Ceasar P. Pobre, "Military Alliance and the Philippines", *Digest* (internal Armed Forces of the Philippines journal), May–June 1997, p. 10.
28. Carolina Hernandez, "The Role of the Philippine Military During Martial Law, 1972–1980" (Background paper, 12th World Congress, International Political Science Association, Rio de Janiero, August 1982). Quoted by Wilfredo V. Villacorta, "The Management of National Security in the Philippines: The Role of Leadership Styles" in *Leadership Perceptions and National Security*, edited by Mohammed Ayoob and Chai-Anan Samudavanija (Singapore: Institute of Southeast Asian Studies, 1989), p. 152.
29. Felipe B. Miranda and Rubin F. Ciron, "The Philippines: Defence Expenditures, Threat Perception and the Role of the United States", in *Defence Spending in Southeast Asia*, edited by Chin Kin Wah (Singapore: Institute of Southeast Asian Studies, 1987), p. 152.
30. Joris Janssen Lok, "ASEAN navies extend their regional reach", *Jane's Defence Weekly*, 27 November 1996.
31. "A fighting chance", *FEER*, 19 July 1990, p. 20.
32. "U.S. exit poses problems for Philippine defence", *Reuters News Service*, 3 March 1992.
33. Statistics compiled by the Philippine Bureau of Fisheries and Aquatic Reserves, October 1994. Quoted by Aileen San Pablo-Baviera, "Philippine Security in the South China Sea", in *Security Implications of Conflict in the South China Sea: Perspectives from Asia Pacific*, edited by Carolina Hernandez and Ralph Cossa (Manila: Institute for Strategic and Development Studies, 1995), p. 69.
34. "China 'flexing its muscles' in Southeast Asia", *Reuters News Service*, 14 July 1992.
35. "China 'war threat' in islands dispute", *Independent* (London), 22 July 1992.
36. "Diplomacy in Spratly issue urged", *Manila Chronicle*, 14 March 1995.
37. "Spratlys tension helps push forces upgrade", *Jane's Defence Weekly*, 25 February 1995.
38. The Speaker of the Philippine House of Representatives, Jose de Venecia, one of the architects of the bill, said "There is no direct link between China's aggression in the Spratlys and our decision to appropriate money for military modernisation, but let's just say it accelerated the process". *Financial Times* (London), 24 July 1995.
39. "A bolt from the blue", *FEER*, 3 August 1995.
40. The equipment and operational capability of the AFP has improved little since 1995. A number of proposals were made to lease ships and aircraft from the United States or to buy second-hand equipment from other countries. However, so far, the Philippines has only purchased three off-shore patrol vessels from Britain, previously stationed in Hong Kong, and a small number of second-hand F-5s. For proposals to lease or buy second-hand U.S. equipment, see "House body wants military to lease warships from U.S.", *Business World* (Philippines), 15 May 1997; and *Defense News*, 9 June 1997. On the purchase of the three off-shore patrol vessels from Britain, see *Jane's Defence Weekly*, 20 August 1997.
41. On his arrival in Manila, Ramos said; "The Chinese government, through President

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Jiang, said they would shelve the conflict and join in the peaceful development of the islands in the South China Sea... We were given the assurance that China would not use her economic strength for the purpose of aggression and harassment, and we are very appreciative of that statement". "Ramos reassured on Spratlys issue", *South China Morning Post*, 28 April 1993.

42. The full text of the statement read as follows: "We, the ASEAN Foreign Ministers, express our serious concern over recent developments which affect peace and stability in the South China Sea. We urge all concerned to remain faithful to the letter and spirit of the Manila Declaration on the South China Sea, which we issued in July 1992 and which has been endorsed by other countries and the Non-aligned Movement. We therefore call upon all parties to refrain from taking actions that destabilize the region. We specifically call for the early resolution of the problems caused by recent developments in Mischief Reef." "ASEAN Ministers Express Concern Over Spratlys", *Reuters News Service*, 18 March 1995.
43. "Vietnam Echoes ASEAN Statement on Disputed Spratlys", *Reuters News Service*, 22 March 1995.
44. "Why China is Creating Mischief in the Spratlys", *Straits Times*, 7 April 1995.
45. "Philippines says ASEAN has one voice on Spratlys", *Reuters News Service*, 5 April 1995.
46. *Straits Times*, 7 April 1995.
47. "ASEAN will not raise Spratlys issue collectively", *Straits Times*, 23 May 1995.
48. "China warns ASEAN against bringing up Spratlys", *Reuters News Service*, 25 May 1995.
49. "ASEAN warms up to China after moves in Spratly row", *Asian Wall Street Journal*, 31 July 1995.
50. The Chinese Foreign Ministry stated; "China is ready to work together with the countries concerned to resolve appropriately the relevant disputes according to the recognised international law, the contemporary law of the sea including the basic principles and the legal regime defined in the UN convention". "China says ready to solve Spratly dispute by law", *Reuters News Service*, 30 July 1995.
51. "Manila rebuffs territorial claim by Beijing", *Financial Times*, 18 May 1996.
52. "China backs further dialogue but proves wary about change", *Bangkok Post*, 14 June 1996.
53. Pobre, op. cit.
54. "U.S. exit poses problems for Philippine defence", *Reuters News Service*, 3 March 1992.
55. "U.S. says its options limited on Spratlys", *Reuters News Service*, 12 March 1992.
56. *Reuters News Service*, 3 March 1992
57. "Philippine senators question US defence pact", *Reuters News Service*, 9 November 1992
58. Miranda and Ciron, op. cit., p. 157.
59. "U.S. quits last base in Philippines", *Reuters News Service*, 24 November 1992.
60. Interview conducted with a senior AFP official, March 1998. The interviewee wishes to remain anonymous.
61. "Who Knew What?", *FEER*, 6 April 1995.
62. "For Our Eyes Only", *FEER*, 27 July 1995.
63. *FEER*, 6 April 1995.
64. Derek da Cunha has argued that the closure of U.S. signal intelligence gathering facilities in the Philippines had deprived the Pentagon of important intelligence gathering capabilities in Southeast Asia. See Derek da Cunha, "Nodding off — U.S. presence in Asia-Pacific", *Straits Times*, 9 March 1995.

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65. On 10 May, the U.S. State Department released the following statement:
    The United States is concerned that a pattern of unilateral actions and reactions in the South China Sea has increased tensions in the region. The US strongly opposes the use or threat of force to resolve competing claims and urges all claimants to exercise restraint and to avoid destabilizing actions. The US would view with serious concern any maritime claim, or restriction on maritime activity in the South China Sea that was not consistent with international law. Unhindered navigation by all ships and aircraft in the South China Sea is essential for the peace and prosperity of the entire Asia Pacific region, including the US.
    "US warns against restriction in South China Sea", *Straits Times*, 12 May 1995.
66. Ibid.
67. "ASEAN forum 'Should address Spratlys issue'", *Straits Times*, 19 April 1995.
68. "ASEAN 'in best position' to defuse tension over Spratlys", *Straits Times*, 13 May 1995.
69. Ibid.
70. Congressman Gregorio Andolana remarked; "Ramos is raising the Chinese bogeyman to entice the Americans back and to provide the justification for the signing of the mothballed access and servicing agreement with the Americans" and the Spratlys was "a perfect pretext to lure the Americans back". "Ramos trying to get US military back, say lawmakers", *Straits Times*, 22 October 1995.
71. "Philippines security based on U.S. presence — Francisco Tatad, Philippine Senate majority leader", *Asia Times* (Hong Kong), 6 June 1997.
72. "US-Philippines settles dispute over visiting forces", *Defence News*, 19 January 1998.
73. "Spratlys will show if China plays by the rules: Ramos", *Straits Times*, 8 May 1995.
74. Ibid.

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Environmental Pollution around the South China Sea: Developing a Regional Response

DAVID ROSENBERG

The South China Sea — the busiest shipping lane and surrounded by some of the most rapidly industrializing countries in the world — is becoming a sink for regional environmental pollution. Countries bordering the South China Sea have usually been more concerned with maximizing national economic growth and ensuring adequate energy supplies than in preserving their regional maritime environment. They have staked often conflicting territorial claims to areas with potential oil and natural gas reserves. While a territorial settlement is unlikely in the short term, other avenues of regional co-operation have emerged, in particular, the ASEAN effort to curb smoke haze. This article examines the phenomenon of smoke haze, its short-term and long-term causes and consequences, and the institutional responses to it.

What are the countries around the South China Sea doing about their growing problems of regional environmental pollution? This article provides a case study of how the member-nations of ASEAN (Association of Southeast Asian Nations) are attempting to deal with a major cause of transboundary air pollution, smoke haze from forest fires. Air pollution primarily consists of carbon dioxide, sulphur dioxide, other greenhouse gas emissions, and combustion particulates from proliferating smoke-stacks, forest fires, and motor vehicles in the newly-industrializing countries around the South China Sea.

Smoke haze from Indonesian forest fires is not the only form of regional air pollution; in the long run, industrial emissions from southern

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China may be more of a problem. However, the relatively sudden, unexpected, and costly smoke pollution of 1997 precipitated a response from ASEAN which may set a precedent for dealing with other regional resource management issues.

This study focuses on the South China Sea because it is an integral ecosystem and is a repository of vital international shipping lanes. It is also an arena for competing security interests. Countries bordering the South China Sea have been more concerned with maximizing economic growth and ensuring adequate energy supplies than in preserving their common natural resources. They have staked territorial claims to areas with potential oil and natural gas reserves; however, these claims are overlapping and conflicting. While a territorial settlement is unlikely in the short term, other avenues of regional co-operation have emerged, in particular, the ASEAN effort to curb smoke haze. This article will examine the phenomenon of smoke haze, its short-term and long-term causes and consequences, and the institutional responses to it.

The South China Sea is defined by the International Hydrographic Bureau as the semi-enclosed body of water stretching in a southwest to northeast direction, whose southern border is 3 degrees south Latitude, between south Sumatra and Kalimantan (Karimata Straits), and whose northern border is the Strait of Taiwan from the northern tip of Taiwan to the Fukien coast of China. It lies in the heart of monsoon Asia and is subject to the phenomenon of seasonally reversing winds carrying a lot of moisture, blowing southwest in winter and northeast in summer. The littoral countries have similar coastal ecosystems and access to common deep-sea resources — for example, coastal cultivation of shrimp and oysters, and deep-sea fishing for tuna and other migratory species in the South China Sea.

The South China Sea contains some of the world's busiest international sea lanes. More than half of the world's supertanker traffic passes through the region's waters. Over half of the world's merchant fleet (by tonnage) sails through the South China Sea every year. Tanker traffic through the Strait of Malacca at the southwestern end of the South China Sea is more than three times greater than Suez Canal traffic, and well over five times more than the Panama Canal.[1]

The large volume of shipping in the South China Sea/Strait of Malacca littoral has created opportunities for attacks on merchant shipping. In 1995, almost half of the world's reported cases of piracy occurred in this area.[2]

The staking of territorial claims in disputed areas of the South China Sea — thought to be rich in oil and natural gas — has also made this region an arena for competing security interests. Over the next

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twenty years, oil consumption among the developing Asian countries is expected to rise by 4 per cent annually on average, with about half of this increase coming from China. If this growth rate is maintained, oil demand by these nations will reach 25 million barrels per day — more than double current consumption levels — by 2020.[3] Almost all of this additional Asian oil demand, as well as Japan's oil needs, will have to be imported from the Middle East and Africa. Most of it will pass through the strategic Strait of Malacca into the South China Sea. Supertankers going to Japan will pass through the wider Lombok Strait, east of Bali. This adds to the importance of the South China Sea region, which contains oil and gas resources strategically located near large energy-consuming countries.

The problem of environmental pollution around the South China Sea is generally due to population growth and urbanization in coastal cities, economic growth and increased material consumption, and highly polluting technologies for energy production and primary resource extraction. During most of the past two decades, industrial output and energy consumption have grown faster in the countries around the South China Sea than anywhere else in the world, driven by the region's rapid economic growth and increasing population. Given the region's growing dependence on imported oil and the increasing trade and transport of raw materials, fossil fuels, and commodities across the region's shipping lanes, the South China Sea has become an inter-state highway in the world economy. For the same reasons, it may also become a sink for regional environmental pollution from the industrial effluents of the littoral countries, as well as the spills and dumpings of vessels in transit.

Until the 1997 regional currency crisis, rapid economic growth in many Southeast Asian nations had led to rising incomes and increased consumption by an expanding urban middle class. The average annual growth in real gross domestic product (GDP) in the ASEAN countries during the past two decades was between 5 per cent and 10 per cent, substantially higher than in the major industrial nations (see Table 1). Energy consumption in most Southeast Asian nations increased even faster (see Table 2). This rapid economic growth, together with increasing industrial production, rapid urbanization, and a substantial increase in transportation vehicles, directly affect local environmental conditions, such as air pollution, access to safe drinking water, and waste disposal, especially in high population density areas. It also has a major impact on the common regional environment of the South China Sea. In addition, the increasing trade and transport of raw materials, fossil fuels, and commodities across the region's shipping lanes has contributed

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TABLE 1
Growth in Real Gross Domestic Product in Selected Countries
(average annual percentage change)

	Population 1996 (millions)	*Gross Domestic Product ($millions)*	*1980–90*	*1990–96*	*1996*	*1997*	*1998 (estimate)*	*1999 (estimate)*
ASEAN								
Cambodia	10	3,125		6.5				
Indonesia	197	225,828	6.1	7.7	7.6	4.6	–13.4	–2.0
Laos	5	1,857	3.7	6.7				
Malaysia	21	99,213	5.2	8.7	8.2	7.8	–1.7	0.5
Myanmar	46		0.6	6.8				
Philippines	72	83,840	1.0	2.9	5.7	5.1	1.9	3.5
Singapore	3	94,063	6.6	8.7	6.6	7.8	1.2	2.0
Thailand	60	185,048	7.6	8.3	6.7	–0.3	–6.4	–0.2
Vietnam	75	23,340	4.6	8.5	9.6	8.5	7.5	7.5
Other APEC								
China	1,215	815,412	10.2	12.3	9.7	8.8	7.3	7.6
Hong Kong SAR	6	154,767	6.9	5.5	4.6	5.3	–1.3	1.0
Japan	126	4,599,700	4.0	1.4	2.5	0.9	–0.5	0.9
South Korea	46	484,777	9.4	7.3	6.9	5.5	–3.8	1.4
Taiwan	21.9	362,000			5.6	6.8	5.3	5.7
United States	265	7,341,900	2.9	2.4	2.5	3.8	2.9	2.2

SOURCES: *1998 World Development Indicators* (Washington, DC.: World Bank, 1998) for 1980–96 data; *Asiaweek*, "What's Ahead for Asian Economies," 17 July 1998, for 1996–99 data; and "Bottom Line" for other Taiwan data.

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TABLE 2
Energy Production and Use in Selected Countries

	Commercial Energy Production (thousand metric tons of oil equivalent)		*Commercial Energy Use* (thousand metric tons of oil equivalent)		*Energy Use* (Average annual % growth)	*Energy Use p/c* (Average annual % growth)	*Net Energy Imports* (% of commercial energy use)	
	1980	1995	1980	1995	1980–95	1980–95	1980	1995
ASEAN								
Cambodia	13	22	393	517	2.1	–1.0	97	96
Indonesia	94,717	169,325	25,904	85,785	8.9	7.0	–266	–97
Laos	236	220	107	184	0.1	0.1	–121	–20
Malaysia	15,049	62,385	9,522	33,252	9.8	7.0	–58	–88
Myanmar	1,940	2,167	1,858	2,234	0.2	–1.7	–4	3
Philippines	2,789	6,006	13,357	21,542	3.6	0.9	79	72
Singapore	0	0	6,049	21,389	10.0	8.1	100	100
Thailand	535	19,430	12,093	52,125	11.1	9.4	96	63
Vietnam	2,728	13,808	4,024	7,694	4.1	1.8	32	–79
Other APEC								
China	428,693	866,556	413,176	850,521	5.1	3.7	–4	–2
Hong Kong SAR	0	0	5,628	13,615	6.2	5.0	100	100
Japan	43,247	99,468	346,567	497,231	2.8	2.3	88	80
South Korea	9,644	20,570	41,426	145,099	9.6	8.4	77	86
United States	1,546,307	1,655,644	1,801,406	2,078,265	1.3	0.3	14	20

SOURCE: *1998 World Development Indicators* (Washington, DC.: World Bank).

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to the pollution of the South China Sea through oil spills and ocean dumping.

The rapid devaluation of several Asian currencies in 1997 may slow economic growth and energy demand in the region; however, this is likely to be only temporary. According to one recent study: "Asian energy consumption will rise again sharply in two or three years. The reason is that ... the conditions for high growth — discipline, flexibility, high savings, rapid absorption of technology, an embrace of international markets, and strong entrepreneurial networks — are still in place."[4] Despite the economic slowdown in several countries in the region, population growth and urbanization continue to expand coastal cities, and energy production remains a high priority on national agendas throughout the region.

Symptoms

Dense clouds of smoke haze were widely evident in satellite photo-images of the South China Sea during the last half of 1997. Most of this air pollution came from forest fires in Sumatra, Kalimantan and East Malaysia. Additional large quantities of carbon and sulphur emissions came from smoke-stacks of coal-fired power stations, aluminium smelters, and cement and steel factories in southern China. Motor vehicles also generate additional particulate and aerosol pollution, especially in highly urbanized areas along the coastline of the South China Sea.

There are many environmental problems in Southeast Asia, including land degradation, water shortages, plummeting air quality standards, hazardous additives, and untreated waste disposal. Each one has multiple causes and interrelated consequences. However, no topic evokes more outrage nor prompts more resentment than the decrease of Southeast Asia's tropical hardwood forests.

Although forests once covered large tracts of the region, today only Myanmar, Malaysia and Indonesia count as major timber and timber product exporters; the latter two account for more than 80 per cent of the world trade in tropical hardwood. The rapidity with which this forest cover has been disappearing troubles many: upland forest watersheds remained abundant until thirty years ago in Thailand, the Philippines and most of peninsular Malaysia. Within a generation's lifetime, a deepening cycle of lowered water tables, flooding, topsoil loss and ruination of irrigation and hydroelectric works has resulted from this deforestation. Comparisons of forested areas in 1980, 1990, and 1995 show the rate and extent of primary forest loss throughout the region (see Table 3). In 1990, a flash flood swooping down from the

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highlands of the Philippine island of Leyte killed more people in one evening than all the victims of a 22-year-long communist insurgency.[5] During the summer of 1998, flood waters on the Yangzte River reached record levels, causing widespread damage and dislocation. Deforestation was widely cited as a major cause of the flooding. The Guangdong State Council issued an emergency decree calling for an immediate halt to all illegal forestry and a one-year moratorium on all conversion of forest land to other purposes. A US$2 billion five-year reforestation programme was initiated to reduce soil loss on the upper reaches of the Yangtze and Yellow River to reduce silting at the Three Gorges and Xiaolangdi dams as well as flood risk. In addition, the state timber company workforce will be cut by one million workers and wood production will be reduced by 10 million cubic metres.[6]

Deforestation is also a major contributor to both regional transboundary air pollution and greenhouse gas emissions. Perhaps the most dramatic and destructive case was the forest fires and smoke clouds of 1997.[7] The 1998 *State of the World Report* noted that:

> A plume of smoke larger than the continental United States has spread across Southeast Asia, turning the skies dark and leaving at least 20 million people choking on air that has become a toxic soup, killing hundreds outright. The areas affected include Brunei, Indonesia, Malaysia, Papua New Guinea, the Philippines, Singapore, Thailand, and Vietnam. The massive forest and peat fires swept Borneo and Sumatra in the fall of 1997 and sent life-threatening pollution to cities more than 1000 kilometres away.[8]

Causes

Forest fires are not normal in tropical rainforests. Why, then, did they have such a devastating effect? What caused the fires? The immediate cause is clear: the fires were started by pulp, palm oil, and rubber plantation owners clearing natural forest in Indonesia, which then spread to at least 2 million hectares of forest and underground peat deposits. Tens of millions of people fell sick, hundreds died, and schools, transportation, and businesses were shut down. Enormous amounts of carbon dioxide — perhaps as much as that emitted in the United Kingdom in one year — were added to the atmosphere.[9]

Some observers attributed the devastating fires to the drought caused by the onset of El Niño. However, human activities clearly played the major role. During the last two decades, forests have been opened up by roads and logging, and have become drier and more vulnerable to fire. Large plantation companies and farmer-settlers have come from the more densely populated provinces of Indonesia and

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TABLE 3
Forest Cover and Change in Southeast Asian Countries, 1980–95
(Area in thousand hectares)

	Total Forest					*Natural Forest*				*Plantations*	
	Area, '000 hectares			*Ave. Annual % change*		*Area, '000 hectares*		*Ave. Annual % change*		*Area, '000 hectares*	*Ave. Annual % change*
	1980	*1990*	*1995*	*80–90*	*90–95*	*1990*	*1995*	*80–90*	*90–95*	*1990*	*80–90*
Cambodia	13,484	10,649	9,830	–2.4	–1.6	10,642	9,823	–2.4	–1.6	7	0
Indonesia	124,476	115,213	109,791	–0.8	–1.0	109,088	103,666	–1.1	–1.0	6,125	8
Laos	14,470	13,177	12,435	–0.9	–1.2	13,173	12,431	–0.9	–1.2	4	4
Malaysia	21,564	17,472	15,471	–2.1	–2.4	17,391	15,371	–2.1	–2.5	81	15
Myanmar	32,901	29,088	27,151	–1.2	–1.4	28,853	26,875	–1.3	–1.4	235	18
Philippines	11,194	8,078	6,766	–3.3	–3.5	7,875	6,563	–3.3	–3.6	203	0
Singapore	4	4	4	0	0	4	4	0.7	–1.4	0	0
Thailand	18,123	13,277	11,630	–3.1	–2.6	12,748	11,101	–3.4	–2.8	529	8
Vietnam	10,663	9,793	9,117	–.9	–1.4	8,323	7,647	–1.5	–1.7	1470	4

SOURCE: *World Resources, 1998–99* (World Resources Institute, 1998), based on data from the Food and Agriculture Organization and the International Tropical Timber Organization.

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have been provided homesteads in the relatively sparsely populated areas of Sumatra and Kalimantan. They have joined the traditional shifting cultivators who have lived in the area for a long time, clearing small sites for planting crops until the soil's nutrients have been depleted, and then moved to other sites. All these groups use fire as the most economical way of preparing forest land for cultivation. For the villagers and residents of the small towns nearby, the burning and smoke are seasonal features of life. The drought means, first of all, a worse inconvenience than usual and, secondly, the opportunity for faster land clearing, since tropical forests are usually difficult to set alight.

Nicholas Kristof has noted the difficulty of grappling with trans-border pollution: "Malaysia and Singapore were particularly hard-hit, and their relatively well-educated populations were more aware of the dangers of breathing the smoke. But they were in effect the hostages of Indonesians who saw the problems as an inconvenience rather than a health crisis."[10] Inasmuch as Jakarta itself was not extremely affected by the smoke haze, many people in the national capital did not believe in the severity of the problem.

Long-term Consequences

In addition to the short-term problems of smoke haze, tropical timber harvesting also has long-term consequences for the environment. The loss of biodiversity through deforestation has attracted considerable interest, especially from Western environmental groups.[11] In addition, greenhouse gas emissions and the loss of carbon sinks caused by forest fires, along with industrial emissions, have contributed to global climate change (see Table 4).

The Inter-governmental Panel on Climate Change (IPCC) confirmed in 1995 a "discernible human influence on global climate," and estimated that a doubling of CO2 concentrations — likely to occur in the next century if emissions stay on the current path — "will increase the global temperature by 1 to 3.5 degrees Celsius."[12] The consequences would be devastating — flooded cities, diminished food production, and increased storm damage. All the countries bordering the South China Sea would be especially vulnerable.

How would climate change affect Southeast Asia? According to the United Nations Environmental Program's Information Unit on Climate Change, the most serious threat to livelihoods in Southeast Asia would come from coastal inundation caused by rising sea levels.[13] Scientists believe that higher atmospheric temperatures would cause a sea-level rise of around 20 cm by the year 2030, and 65 cm by the end of the next century. Sandy coastlines backed by densely populated,

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TABLE 4
Carbon Dioxide Emissions in Selected Countries

	Total million metric tons		*Per capita metric tons*	
	1980	*1995*	*1980*	*1995*
ASEAN				
Cambodia	0.3	0.5		
Indonesia	94.6	296.1	0.6	1.5
Laos	0.2	0.3	0.1	0.1
Malaysia	28.0	106.6	2.0	5.3
Myanmar (Burma)	4.8	7.0	0.1	0.2
Philippines	36.5	61.2	0.8	.9
Singapore	30.1	63.7	13.2	21.3
Thailand	40.1	175.0	0.9	2.9
Vietnam	16.8	31.7	0.3	0.4
Other APEC				
China	1,476.8	3,192.5	1.5	2.7
Hong Kong SAR	16.4	31.0	3.3	5.0
Japan	907.4	1,126.8	7.8	9.0
South Korea	125.2	373.6	3.3	8.3
United States	4,515.3	5,468.6	19.9	20.8

SOURCE: *1998 World Development Indicators* (Washington, DC.: World Bank).

low-lying plains make the Southeast Asian region particularly vulnerable to inundation. As much as 20,000 sq km of land in Malaysia, Thailand, and Indonesia could be threatened with flooding, including some of the most economically productive land in these countries; the city of Bangkok and its surrounding industrial belt are all within one metre of sea level. Meanwhile, as the ocean rises, the "natural" inland retreat of mangrove swamps — critical breeding grounds for fish and prawns — would be obstructed by towns and farms. Coastal farmland would also be lost, and the disappearance of beaches would undermine tourism, an important source of earnings in the area.

Energy, Environment, and Security Links

In a recent study, Alan Dupont made a persuasive argument that environmental problems are unlikely to be the primary cause of a major conflict between states in the Asia-Pacific region. However, they may prolong or complicate existing disputes.[14] This can be seen in the links between energy demand, environmental pollution, and security interests

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around the South China Sea.

As China and the countries of Southeast Asia expand their economies and consume more fossil fuel resources, they also produce more pollution. Many of these countries are now making important decisions about technology and infrastructure, with critical implications for long-term environmental change. Many of them face competitive market pressures to produce at the lowest, short-term cost possible. Inasmuch as governments compete with one another for investment in an increasingly integrated world economy, they are reluctant to impose costly regulations to maintain environmental standards which might discourage investment and output. From the individual national, short-term view, pollution control programmes may hinder economic performance and increase consumer prices. Nations that do impose charges on polluters are thought to give business enterprises an incentive to relocate to countries with more lenient standards. As a result, many environmental pollution problems are often overshadowed by concerns over economic growth.

Given the long-term trends in population and economic growth and energy use, by countries around the South China Sea, there is growing concern in these countries about their ability to ensure adequate energy supplies for rapid industrialization. Despite the current economic downturn, there have been steady shipments of oil imports from the Middle East across the South China Sea. And despite the currently low energy prices, there has been increased attention to oil exploration and development in the South China Sea.

How much oil is there in the South China Sea? Conflicting assessments have been made of the potential of the South China Sea as an unexplored source of oil and natural gas. According to a 1995 study by Russia's Research Institute of Geology of Foreign Countries, the equivalent of 6 billion barrels of oil might be located in the Spratly Islands area, of which 70 per cent would be natural gas. On the other hand, Chinese media outlets have referred to the South China Sea as "the second Persian Gulf", and some Chinese specialists have asserted that the South China Sea could contain as much as 150 billion barrels of oil and natural gas.[15] (See Table 5 and Table 6.)

Despite these optimistic assessments, the cost of drilling in deep-water areas of the South China Sea and assessments of the geochemistry of the Spratly Islands area suggest that, for the time being, the costs of exploration and low likelihood of substantial and easily exploitable yields will remain limiting factors. In any event, the area remains subject to numerous territorial disputes. Not many oil companies are likely to risk the cost of exploration to determine whether the potential yields in the area are commercially viable. Even in the undisputed

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TABLE 5
Oil and Gas in the South China Sea Region

	Proven Oil Reserves (billion barrels)	*Proven Gas Reserves (trillion cubic feet)*	*Oil Production (barrels/day)*	*Gas Production (billion cubic feet)*
Brunei	1.35	14.1	145,000	340
Cambodia	0	0	0	0
China*	1 (est.)	3.5	290,000	141
Indonesia*	0.22	9.7	46,000	0
Malaysia	3.9	79.8	645,000	1,300
Philippines	0.2	2.7	<1,000	0
Singapore	0	0	0	0
Taiwan	<0.01	2.7	<1,000	30
Thailand	0.3	7.0	59,000	482
Vietnam	0.6	6.0	180,000	30
TOTAL	7.5 (est.)	145.5	1,367,000	2323

*Only the regions near the South China Sea are included.
Proven reserves as of 1 January 1998; 1997 production (except Indonesia, where data are as of 1996). There are no proven reserves for the Spratly and Paracel Islands
SOURCE: "South China Sea Region", United States Energy Information Administration, Country Analysis Briefs, August 1998.

TABLE 6
Oil and Gas in the South China Sea: Comparison with other Regions

	Proven Oil Reserves (billion barrels)	*Proven Gas Reserves (trillion cubic feet)*	*Oil Production (barrels/day)*	*Gas Production (billion cubic feet)*
Caspian Sea Region	15.4–29.0	236– 337	1,000,000	2846
Gulf of Mexico (U.S.)	2.7	29.4	1,014,000	5100
North Sea Region	16.8	156.6	6,200,000	7981
Persian Gulf	674.5	1718	19,226,000	5887
South China Sea	7.5	145.5	1,367,000	2323
West Africa/ Gulf of Guinea*	21.5	126.3	3,137,000	200 (est.)

*Region stretching from Côte d'Ivoire (Ivory Coast) to Angola.
Proven reserves as of 1 January 1998; 1997 production (Gulf of Mexico reserves 1/1/97; production 1996).
SOURCE: "South China Sea Region," United States Energy Information Administration, Country Analysis Briefs, August 1998.

coastal areas, it might take twenty years or more to exploit reserves, given the low oil prices of the late 1990s.

A "looming energy crisis", caused by increasing competition for energy resources, is resulting in growing insecurity in the Asia-Pacific region, according to Kent Calder.[16] He asserts that the supply of

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petroleum, coal, and natural gas is insufficient in Asia, which provides only 11 per cent of global oil production and 4.5 per cent of reserves.[17] It is not clear whether his estimates include the energy resources of the Russian Far East. Japan, with half the region's economic output, remains 95 per cent dependent on oil imports. The growing Chinese economy's hunger for energy has made that country a net oil importer since 1993 despite its status as the top supplier of energy in Asia (with Indonesia). An East-West Center study estimates that Asia's share of oil imports from the Middle East will rise from 70 per cent in 1993 to 95 per cent in 2010.[18]

Not only does regional economic growth create greater dependence upon the Middle East oil-producing nations, but, most importantly, it raises the issue of reliability of access to shipping lanes from the Middle East to Asia. The approaches to the Strait of Malacca (for smaller tankers) and to the Lombok and Makassar Straits in Indonesia (for larger tankers) are surrounded by Southeast Asian nations (Malaysia, Indonesia, and Singapore) which control those straits and surrounding waters with increasing naval capability. And China's strengthening naval presence and territorial claims to waters of the South China Sea may reflect its own desire to secure shipping lanes for its energy supply and trading routes. This may heighten tension in the waters of Southeast Asia.[19]

The links between energy demand, environmental pollution, and regional security were suggested in a statement by Chinese Energy Minister and former National People's Congress Environmental Protection and Resources Conservation Committee Vice Chairman Yang Jike, who wrote in his introduction to the 1997 edition of the *China Energy Development Report* [*Zhongguo Nengyuyan Fazhan Baogao*] that China should concentrate on the development of its coal resources. Although this would aggravate particulate pollution in the PRC and Northeast Asia, as well as greenhouse gas emissions, the PRC would not have to increase its oil imports from the Middle East (which might get China embroiled in the Middle East like the United States). Concentrating on energy from coal, Yang writes, would enable China to forego oil-drilling in the South China Sea and in Xinjiang so as to avoid offending China's Southeast Asian neighbours and its Uighur minority in Xinjiang.[20] Recently, however, Chinese leaders have decided to import much more oil from the Middle East, and have planned to invest considerable sums to facilitate this trade.[21]

Who owns the South China Sea? Who has rights of navigation through its waters? Who is responsible for its environment? International law is ambiguous on these questions. To the north, the Pratas Island and the submerged Macclesfield Bank are claimed by Taiwan and

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China. China and Taiwan have tacitly tolerated each other's identical claims to almost the entire South China Sea because both base their claims on the same historical grounds. All the Paracel Islands are claimed by Vietnam, Taiwan, and China, on historical grounds, although these have been occupied exclusively by China since 1974. China and Vietnam disagree over their maritime boundary in the Gulf of Tonkin.

Further south, the Spratly Islands are spread astride strategic sea lanes and are claimed by China, Taiwan, Vietnam, the Philippines, Malaysia, and Brunei. Of the six, all but Brunei have sought to strengthen their claims by establishing a military presence on at least one of the Spratlys. Although their claims to Exclusive Economic Zones (EEZ) overlap, all six allege that their claims are fully supported under international law and under the 1982 United Nations Convention on the Law of the Sea (UNCLOS), which entered into force in 1994. Finally, the claims of China, Taiwan, and Vietnam overlap portions of Indonesia's claim in the Natuna area.[22] These claims are summarized in Table 7.

The United States Institute of Peace reports that:

> The question of who owns the 400-plus rocks, reefs, and islands (known as the Spratly Islands) that are scattered within an 800,000-square-kilometre area within the South China Sea was largely ignored until the 1970s.... During the 1980s and 1990s, most of the disputing states have found themselves in a race to bolster their claims to sovereignty by gaining occupation of the islands that can support a physical presence or by establishing markers on the islands where physical occupation is not feasible. In some cases claimants have even built structures on features that are completely submerged at high tide, maintaining a physical presence on these island specks under arduous and mind-numbing physical conditions. Currently, Vietnam occupies more than twenty islets or rocks, China occupies eight, Taiwan one, the Philippines eight, and Malaysia three to six.[23]

Ironically, UNCLOS — which was intended to resolve maritime disputes — may have exacerbated them, at least in the short-term. The 1982 Convention created a number of guidelines concerning the status of islands, the continental shelf, enclosed seas, and territorial limits. Three of the most relevant to the South China Sea are:

1. Article 3, which establishes that "every state has the right to establish the breadth of its territorial sea up to a limit not exceeding 12 nautical miles";
2. Articles 55–75, which define the concept of an Exclusive Economic Zone (EEZ), an area up to 200 nautical miles beyond and adjacent to the territorial sea. The EEZ gives coastal states "sovereign rights for the purpose of exploring and exploiting, conserving and managing

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TABLE 7
Territorial Claims in the Spratly and Paracel Islands

Country	*Claim*
Brunei	*Does not claim* any of the islands, but claims part of the South China Sea nearest to it as part of its continental shelf and Exclusive Economic Zone (EEZ). In 1984, Brunei declared an EEZ that includes Louisa Reef.
China	*Refers to the Spratly Islands as the Nansha islands, and claims all of the islands and most of the South China Sea for historical reasons.* These claims are not marked by co-ordinates or otherwise clearly defined. Chinese claims are based on a number of historical events, including the naval expeditions to the Spratly Islands by the Han Dynasty in AD 110 and the Ming Dynasty from AD 1403–1433. Chinese fishermen and merchants have worked the region over time, and China is using archaeological evidence to bolster its claims of sovereignty. In the 19th and early 20th century, China asserted claims to the Paracel Islands. During World War II, the islands were claimed by the Japanese. In 1947, China produced a map with 9 undefined dotted lines, and claimed all of the islands within those lines. A 1992 Chinese law restated its claims in the region. China has occupied some of those islands. In 1974, China enforced its claim upon the Paracel Islands by seizing them from Vietnam. China refers to the Paracel Islands as the Xisha Islands, and includes them as part of its Hainan Island province.
Indonesia	Not a claimant to any of the Spratly Islands. However, Chinese and Taiwanese maritime zone claims in the South China Sea extend into Indonesia's EEZ and continental shelf, including Indonesia's Natuna gas field.
Malaysia	Claims are based upon the continental shelf principle, and have clearly defined co-ordinates. Malaysia has occupied three islands that it considers to be within its continental shelf. Malaysia has tried to build up one atoll by bringing soil from the mainland and has built a hotel there.
Philippines	Its Spratly claims have clearly defined co-ordinates, based both upon proximity and on the explorations of a Philippine explorer in 1956. In 1971, the Philippines officially claimed 8 islands that it refers to as the Kalayaan, partly on the basis of this exploration, arguing that the islands: 1) were not part of the Spratly Islands; and 2) had not belonged to anybody and were open to being claimed. In 1972, they were designated as part of Palawan Province.
Taiwan	Taiwan's claims are similar to those of China, and are based upon the same principles. As with China, Taiwan's claims are also not clearly defined.
Vietnam	Vietnamese claims are based on history and the continental shelf principle. Vietnam claims the entire Spratly Islands as an offshore district of the province of Khanh Hoa. Vietnamese claims also cover an extensive area of the South China Sea, although they are not clearly defined. The Vietnamese have followed the Chinese example of using archaeological evidence to bolster sovereignty claims. In the 1930s, France claimed the Spratly and Paracel Islands on behalf of its then-colony Vietnam. Vietnam has occupied a number of the Spratly Islands. In addition, Vietnam claims the Paracel Islands, although they were seized by the Chinese in 1974.

SOURCE: "South China Sea Region," United States Energy Information Administration, Country Analysis Briefs, August 1998; and Greg Austin, *China's Ocean Frontier: International Law, Military Force, and National Development* (Allen & Unwin, 1998).

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the natural resources, whether living or non-living, of the waters superjacent to" (above) "the seabed and of the seabed and its subsoil..."

3. Article 121, which states that rocks that cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.

The establishment of the EEZ created the potential for overlapping claims in semi-enclosed seas such as the South China Sea. These claims could potentially be extended by any nation which could build a settlement on the islands in the region and attempt to establish a clear title. South China Sea claimants have clashed as they tried to establish outposts on the islands (mostly military) in order to be in conformity with Article 121 in pressing their claims.

The report of the United States Institute of Peace details a few cases of military intimidation in recent years, in addition to China's use of military force against Vietnamese troops to enforce its claim to the Paracels in 1974. One confrontation occurred between the Chinese and Vietnamese over the occupation of Fiery Cross Reef (Yung Shu Jiao) in 1988, when the PRC sank three Vietnamese vessels, killing seventy-two people.

Another incident began with the discovery that the Chinese had occupied Mischief Reef, a circular reef within 200 nautical miles of the Philippine island of Palawan, and within the area claimed by the Philippine Government as its EEZ. This involved encounters between military vessels from the Philippines and the PRC in March and April 1995. It was the aptly named Mischief Reef confrontation that has galvanized the most recent wave of interest and concern over the Spratly Islands issue.[24] These and other recent conflicts are summarized in Tables 8 and 9.

These disputes and conflicts have led some observers to argue that China has been too willing to resort to force and therefore poses a growing threat to regional security. A recent comprehensive and detailed study by Greg Austin, however, contends that China seeks to resolve its ocean frontier disputes peacefully.[25] Hence, as Allen Whiting has noted, it seems paradoxical that before 1997 when the defence budgets of the United States, Europe, and Russia were shrinking, all governments in East Asia, except for Vietnam, were increasing their military expenditures. In Whiting's words:

> No active conflict exists in East Asia, nor is one seen as imminent by observers inside or outside the area. No territorial dispute seriously threatens stability in the immediate future. No major military expansion abroad is foreseen on the part of any country. Economic

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TABLE 8
Disputes over Drilling and Exploration in the South China Sea

Date	*Countries*	*Disputes*
1992	China, Vietnam	China signs a contract with U.S. firm Crestone in May to explore for oil near the Spratly Islands in an area that Vietnam says is located on its continental shelf, more than 600 miles south of China's Hainan Island. In September, Vietnam accuses China of drilling for oil in Vietnamese waters in the Gulf of Tonkin.
1994	China, Vietnam	Crestone joins with a Chinese partner to explore China's Wan' Bei-21 (WAB-21) block. Vietnam protests that the exploration is in Vietnamese waters in their blocks 133, 134, and 135.
1996	China, Vietnam	Vietnam leases exploration blocks to U.S. firm Conoco in April. Vietnamese blocks 133 and 134 cover half the zone leased to Crestone by China. In May, China reaffirms a national law claiming the South China Sea as its own.
1997	China, Vietnam	Vietnamese protest after Chinese Kantan-3 oil rig drills near Spratly Islands in March. The drilling occurs offshore from Da Nang, in an area Vietnam calls Block 113. The block is located 64 nautical miles off Chan May cape in Vietnam, and 71 nautical miles off China's Hainan Island.

SOURCE: "South China Sea Region," United States Energy Information Administration, Country Analysis Briefs, August 1998.

competition, not armed confrontation, characterizes all bilateral relationships except that of North and South Korea. Yet the upgrading of military capability is virtually universal in the arc from Japan to Thailand.[26]

The belief that the South China Sea contains large deposits of resources has exacerbated the problem of territorial disputes.[27] While the claimants have agreed, in principle, to renounce the use of force to resolve the disputes, there is almost no agreement as to how a resolution should be achieved. One common suggestion to prevent conflict is the creation of a Joint Development Agreement (JDA). This would involve the claimants agreeing to put aside questions of sovereignty and co-operate in joint resource development in the disputed area. The problem with this approach, however, is that there is still little agreement among the claimants as to how this co-operation might work. Given the

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TABLE 9
Recent Military Clashes in the South China Sea

Date	*Countries*	*Military Action*
1974	China, S. Vietnam	Chinese seize Paracel Islands from South Vietnamese forces.
1988	China, Vietnam	Chinese and Vietnamese navies clash in the central Spratly Islands. Several Vietnamese boats are sunk and over 70 sailors killed.
1992	China, Vietnam	Vietnam accuses China of drilling for oil in Vietnamese waters in the Gulf of Tonkin, and of landing troops on Da Luc Reef. China seizes almost 20 Vietnamese cargo ships transporting goods from Hong Kong between June and September.
1994	China, Vietnam	China and Vietnam have naval confrontations within territorial waters claimed by Vietnam over oil exploration blocks 133, 134, and 135. Chinese claim the same area as part of their Wan' Bei-21 (WAB-21) block.
1995	China, Philippines	China occupies Vietnamese- and Philippine-claimed Mischief Reef. Philippine military attempts to evict the Chinese and destroy Chinese markers. Chinese workers soon return to construct piers and barracks.
1995	Taiwan, Vietnam	Taiwanese artillery fire on Vietnamese supply ship.
1996	China, Philippines	In January, three alleged Chinese vessels engage in a 90-minute gun battle with a Philippine navy gunboat near Campones Island.
1997	China, Philippines	The Philippine navy orders a Chinese speedboat and two fishing boats to leave Scarborough Shoal in April; Philippine fishermen remove Chinese markers and raise their flag. China sends three warships to survey Philippine-occupied Panata and Kota Islands.
1998	China, Philippines	In January, the Philippine navy arrests Chinese fishermen off Scarborough Shoal.
1998	Philippines, Vietnam	In January, Vietnamese soldiers fire on a Philippine fishing boat near Tennent (Pigeon) Reef.

SOURCE: "South China Sea Region," United States Energy Information Administration, Country Analysis Briefs, August 1998; and Greg Austin, *China's Ocean Frontier: International Law, Military Force, and National Development* (Allen & Unwin, 1998).

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ambiguous, incomplete, and often contradictory claims to the islands of the South China Sea, a political settlement — not a legal solution — may be the only realistic means of resolving these complex issues.

Inasmuch as a territorial settlement is unlikely in the short term, other avenues of regional co-operation have emerged. Since 1990, a series of workshops on "Managing Potential Conflicts in the South China Sea" have been held under the auspices of the Indonesian Government's Research and Development Agency within the Department of Foreign Affairs.[28] These non-governmental gatherings, attended by government and military officials in their private capacities as well as by academics from the ASEAN countries and China, Taiwan, and Canada, have been convened to explore ways to promote co-operation among the nations bordering the South China Sea. The group has been helpful in co-ordinating scientific marine research and environmental protection. This, in turn, has provided an authoritative basis for inter-governmental policy within ASEAN.

Responses

ASEAN has had several general discussions on regional environment and security issues for several years. ASEAN ministers have met and passed several resolutions: the 1990 Kuala Lumpur Accord on Environment and Development; the 1992 Singapore Resolution on Environment; the 1994 Bandar Seri Begawan Resolution on Environment and Development; and the 1995 ASEAN Co-operation Plan on Transboundary Pollution.

The 1995 ASEAN agreement was a "landmark" plan to combat air and marine pollution and control hazardous wastes specifically related to the South China Sea. The plan, approved by environment ministers from Malaysia, Indonesia, Brunei, and Singapore as well as representatives from the Philippines and Thailand, marked ASEAN's first "positive step" on regional environmental issues. Malaysia began the drive for the plan after the 1994 forest fires in Indonesia, which blanketed much of the region in heavy smog for weeks. Malaysia also proposed extending the agreement to ocean pollution and hazardous wastes after a substantial increase in the dumping of sludge and other materials by ships into the Strait of Malacca.

The accord outlined measures for preventing and controlling forest fires, including an early warning system. Indonesian Environment Minister Sarwono Kusumaatmadja said that some parts of the plan had already been instituted: "We have targeted companies which manage large plantations and estates to raise awareness in preventing the use of

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fire for land clearing."[29] However, according to one recent study, there have been few concrete changes in Indonesia's logging practices since the 1995 accord. The underlying and direct causes of tropical timber mismanagement — including the practices of domestic and multinational commercial loggers, corporate traders, and state forest management agencies — may be too diverse, complicated, and contentious for any one country to solve.[30]

Although ASEAN has had a Haze Technical Task Force since 1995, it has also had a policy of non-interference in each other's internal affairs, a policy which has often stymied the Task Force's efforts. ASEAN serves as a useful forum for promoting economic growth, political stability, and social and cultural exchange in the region; however, it is sometimes subject to a "lowest-common-denominator" syndrome, whereby policies are watered down to satisfy the wishes of members with conflicting interests. "ASEAN operates by consensus. Known as 'the ASEAN Way,' this practice places a priority on consultation and dialogue and the avoidance of public confrontation," observes Kevin Quigley. "All ASEAN policies must be agreed to unanimously by its members.... Important differences are often papered over or postponed. For example, it took nearly 25 years to reach an agreement on intentions for a free trade arrangement."[31]

In 1997 and 1998, however, a few notable exceptions to the ASEAN principles of non-interference and non-confrontation did occur. Thailand's devaluation of the baht, Cambodia's *coup d'etat*, Myanmar's military repression, and the sacking of Malaysian Deputy Prime Minister Anwar Ibrahim have all generated outspoken and critical comments on government policy from political leaders in the neighbouring countries.[32] At the 1998 meeting of ASEAN Foreign Ministers, Thai Foreign Minister Surin Pitsuwan called for a change in ASEAN's cardinal principle of non-intervention. He proposed that members be allowed to openly discuss each other's domestic affairs if these have an impact outside their borders. His proposal, labelled "flexible engagement", received the support of the Philippines but was strongly opposed by the rest of ASEAN. Nevertheless, calls for more open debate on controversial domestic policies on human rights and democracy in ASEAN member-states continue to reverberate.[33] One analyst contends that the economic crisis, together with democratization in Thailand and the Philippines, "will gradually, if not suddenly, undermine ASEAN's norms concerning non-intereference."[34]

The ASEAN principle of non-interference does not apply as clearly to the case of the regional smoke haze. It may be more appropriately seen as a regional issue in the same category as transportation linkages, energy grids, growth triangles, or regional problems such as piracy,

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smuggling, or drug-trafficking. There is broad agreement that the problem originates in Indonesia and thus it is Indonesia's major responsibility — not ASEAN's — to resolve. Criticism of Indonesian government policy ineffectiveness was especially pointed. Malaysia's opposition leader, Lim Kit Siang, moved an emergency motion calling for a parliamentary debate on Indonesia's failure to put out the fires. Thailand's *Nation* daily newspaper blamed the Jakarta government for subsidizing logging companies to clear forests with fire. Singapore's Environment Minister, Yeo Cheow Tong, challenged the Indonesian government to control the fires. Finally, Indonesian President Soeharto issued two unprecedented apologies to the neighbouring states for the smoke haze.[35]

The chief significance of the 1997–98 smoke haze crisis is that it may force ASEAN to take a significant step towards institutionalizing a regional environmental policy. There has long been a growing recognition among ASEAN member-states that industrial pollution may threaten the resource base of progress and pose a physical danger to those exposed to pollution. The 1995 accords recognized the specific problems of environmental pollution around the South China Sea, but provided no clear mechanisms for dealing with the problem.

Many ASEAN countries are already under increasing pressure from international agencies, the scientific community, and popular environmental movements at home and abroad to pursue sustainable development policies. The ASEAN countries have signed and ratified international agreements on numerous environmental problems, especially those with multiple causes and long-term diffuse consequences, such as the Framework Convention on Climate Change. This agreement imposes no significant costs of adjustment on the ASEAN countries; on the contrary, ratification of the agreement may qualify them for environmental assistance.

An important precedent for a trade-off on environment and development took place in the negotiations on the limitation of chloroflourocarbon (CFC) emissions and protection of the atmosphere's ozone layer. Developed countries agreed to reduce their CFC production drastically, but less-developed countries were allowed to increase their production slightly if it helped their economic development. A fund for technology transfer to less-developed countries was also set up.

Will this precedent based on global environmental issues be followed for regional environmental issues around the South China Sea? In the international arena, the ASEAN countries have frequently defended their right to use their natural resources to further economic development, as did the industrialized countries before them.[36] In 1989, ASEAN acted as a group to overturn proposals to sharply reduce

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the export of tropical wood to Europe, even as the Philippines and Thailand had already slipped from being exporters to net importers of wood. The implicit position of the resource-endowed countries in the region has been to accept the trade-off between natural resource preservation and economic development. Most Southeast Asian economies have tended to take a "frontier" view of their natural resources. In recent years, however, in Malaysia, the Philippines, and Thailand, local environmental groups have become active in resisting this view and defending natural assets directly connected to the livelihood of local communities.

Environmental agencies in all the ASEAN states have a high place in the governmental organizational structure. There has also been considerable upgrading of environmental standards and regulations during the past decade, partly supported by the activities of the ASEAN Secretariat. However, greater attention to the environment is costly to the region's governments in two ways. First, the cost of monitoring and enforcement in remote forest areas and over long coastlines and waterways is prohibitive, not to mention the cost of cleaning up when an environmental disaster occurs. Secondly, the political cost can be high; well-connected business people exploit the environment, as in the case of forest burning for plantation clearing, not to mention the political and economic expedience of letting poor communities fend for themselves by using local natural resources. In each of the ASEAN countries, the emergence of more active environmental policies waits for external pressures, such as criticisms from abroad about tropical timber exports, and internal pressures from local groups. Hence, policy regulation and implementation suffer from weak political support.

In the past, ASEAN usually promoted regional co-operation through bilateral relations, which over time "developed into an overlapping and interlocking network".[37] All the ASEAN countries share the problem of limited resources and capabilities. "As a result, several ASEAN states continue to seek separate bilateral arrangements with great powers rather than look to regional cooperation as a means of providing for their security."[38]

It took a sudden and drastic environmental crisis — the 1997 forest fires in Indonesia — to spur ASEAN's movement towards a "framework convention" on regional air pollution. ASEAN environment ministers met in December 1997 to devise a Regional Haze Action Plan (RHAP) with three priority objectives: prevention of forest fires through better management policies and enforcement; the establishment of operational mechanisms for monitoring; and the strengthening of regional land and forest fire-fighting capability, as well as other mitigation measures, including a regional review of land-use policies and legislation.

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They met again in early 1998 to operationalize the Action Plan by co-ordinating fire-fighting efforts, agreeing that Malaysia would concentrate on fire prevention, Singapore on satellite monitoring, and Indonesia on fire-fighting. Data from the ASEAN Specialised Meteorological Centre (ASMC) in Singapore is now accessible to all the ASEAN countries. The link strengthens the region's early-warning system for land and forest fires. Information available include satellite imagery, wind charts, visibility and air quality information and other meteorological and environmental information for haze monitoring. To improve the region's fire-fighting capacity, an ASEAN Research and Training Centre for Land and Forest Fire Management will be established at the University of Palangkaraya in Central Kalimantan. The Centre will fill the gap which currently exists for fire-fighters armed with the necessary knowledge and skills to snuff out forest, brush and land fires.

The Asian Development Bank (ADB) is supporting the plan with a US$1 million grant to Indonesia for an advisory technical assistance programme and another US$1 million grant to ASEAN for a regional technical assistance programme for strengthening ASEAN's capacity in preventing and mitigating transboundary atmospheric pollution resulting from forest fires.

The collective effort has the endorsement of Rodolfo C. Severino, Secretary-General of ASEAN, Juwono Sudarsono, Indonesian State Minister of the Environment, and — in addition to the ADB — numerous other international donor agencies.

ASEAN ministers and senior officials charged with tackling the haze problem have met almost every month since November 1997 to make decisions and to review the impact of actions to combat the forest fires and to prevent their spread in the region. Brunei Darussalam, Indonesia, Malaysia and Singapore have taken turns to host these regular meetings. It appears that a genuine regional effort is emerging to deal with a problem that transcends national boundaries. As a result of its implementation, tackling and controlling the fires and the resulting haze is no longer an individual undertaking of the affected countries, but a co-ordinated and concerted response by the ASEAN member countries.

Conclusion

During the past two decades, industrial output and energy consumption have grown faster in the countries around the South China Sea than anywhere else in the world. The industrial revolution now under way will be only temporarily interrupted by the current Asian economic crisis. As a result of this economic growth, increasing urbanization,

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fossil fuel consumption, and regional shipping, the South China Sea has become a sink for regional environmental pollution.

Until very recently, regional environmental pollution problems were often overshadowed by economic growth priorities. Countries bordering the South China Sea had been more concerned with maximizing economic growth and ensuring adequate energy supplies than in preserving their common natural resources.

The staking of territorial claims in areas with potential oil and natural gas reserves has made the South China Sea an arena for competing security interests. There is almost no agreement on how to resolve these conflicting claims. The rival claimants have agreed in principle, however, to renounce the use of force to resolve the disputes.

While little progress has been made on resolving conflicting territorial claims, discussions have proceeded among the nations bordering the South China Sea on ways to promote co-operation on scientific research and environmental protection. Preliminary proposals within ASEAN were crystallized in 1997 by the sudden and drastic forest fires in Indonesia towards a "framework convention" on regional air pollution, the Regional Haze Action Plan.

Is the development of the Regional Haze Action Plan a unique case or will it be a precedent for other areas of regional environmental collaboration? Each nation around the South China Sea may find it in its short-term interest to exploit natural resources and provide adequate energy supplies. However, the combined effect of the pursuit of national self-interest and the lack of any constraints on access may lead to over-exploitation of a common resource and environmental degradation. This is especially relevant to smoke haze and greenhouse gas emissions which travel easily across borders. This makes it difficult for any national government to control all the pollution in its jurisdiction, even if it were so inclined. National political leaders have had to enter the regional or international arena to find remedies for environmental problems that cannot be met within the political framework of the nation-state.

As capital mobility, spillover pollution, and resource competition have increased over time, there has also been growing pressure for strengthening regional environmental standards and compliance. However, in the absence of any strong regional or international agreement, there is considerable pressure for some countries to be free riders, to avoid the collective cost of pollution control.

It appears that a genuine regional effort may be emerging to deal with a problem that transcends national boundaries. On this issue, there is an evolving regional response with the key ingredients of a

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framework convention for an international environmental regime.[39] The ASEAN Regional Haze Action Plan provides:

1. a forum to raises issues, define the problem, and set criteria and standards for a solution,
2. a way to formulate prevention and remedial policies,
3. a mechanism to set targets and timetables for implementing solutions, and
4. an ability to ensure compliance through annual reviews and financial incentives.

As a result of this Regional Haze Action Plan, tackling and controlling forest fires and the resulting haze is no longer an individual undertaking of the affected countries, but a co-ordinated and concerted response by the ASEAN member countries.

In the wake of the Asian economic crisis and political instability in several Southeast Asian countries, it is not clear whether this initiative will continue to receive strong leadership. If it does, then this experience — formulating a collective response to a regional environmental problem — could become an important precedent. It has become considerably easier for parties inside and outside ASEAN to raise common environmental and resource-use problems.

NOTES

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Book Reviews

Vietnam. Anatomy of Peace. **By Gabriel Kolko.** London and New York: Routledge, 1997. 190 pp.

Gabriel Kolko made an important contribution to the study of the Vietnam War in an earlier book on the subject. With this new book, Kolko makes an equally important contribution to the study of Vietnamese society in the post-1975 period. Given Kolko's intimate knowledge about Vietnam, which stems from a long period of observing and researching developments in the country, his study and the analysis and observations therein have to be read and assessed carefully. Significantly, he analyses the economic, political and social impact of the renovation process implemented since 1986. He carries out his analysis from a critical perspective, highlighting the contradiction between the political goals and aims of the current Vietnamese leadership and the impact of the ongoing renovation process on Vietnamese society. This has been noted by other observers but not explored to the same extent as in Kolko's study. Nor have other observers exposed the contradictions to the same extent as does Kolko.

It is refreshing to read a book on Vietnam which does not view the struggle through the rubric of the ruling Communist Party of Vietnam (CPV), that is, as one taking place between "conservative" and "liberal" elements. The customary dichotomy implies that the latter group is more progressive and implicitly "better" compared to the former. Kolko presents an alternative analysis of the two groupings within the CPV. According to him, one group would like to see a slower pace of reform, salvaging as much as possible of the gains achieved under the socialist

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system; whereas the other group has opted to adhere to the perspectives of the International Monetary Fund and the World Bank, that is, economic liberalization and structural adjustment. From Kolko's perspective, the policies implemented by the second group are leading to the dismantling of the achievements made under the socialist system, and their policies are creating a class-driven society with huge differences between various social strata.

Undoubtedly, many readers would question some of the views expressed by the author and some aspects of his approach, but it is undeniable that much of the negative impact on Vietnamese society is caused by the implementation of the policies of economic liberalization and structural adjustment — that is, what is often referred to as "economic renovation". Few would disagree with Kolko's observations, in particular, the contradiction between the professed policies of the leadership and the impact of the implemented policies. Many of the problems that Kolko highlights are serious and need to be addressed.

This overall positive impression does not imply that all the arguments in the book are to be accepted at face value. One area which is problematic is the way in which the role and activities of the ethnic Chinese is addressed. Some of the author's observations about the economic activities of the ethnic Chinese seem to display his negative view of such activities rather then observations based solely on empirical evidence (p. 45 and pp. 51–52).

Kolko's approach to economic liberalization and the impact of the process of "renovation" as well as the discussion related to intra-party developments in the CPV is, as noted above, interesting and innovative but it has to be read, understood and assessed within the context of the larger scholarship on economic, political and societal developments in Vietnam. It is only against this broader picture that one can fully understand the contribution that Kolko's book makes to the overall understanding of the developments that are taking place, their impact on Vietnamese society and the challenges ahead for the country.

The fact that Kolko argues strongly in favour of his convictions and displays a strong commitment to his personal values and ideals is refreshing since most analyses which are "supposedly" objective are, in fact, supportive of values opposed to those professed by Kolko.

The author's openness about his ideological convictions and his commitment to his ideals relating to the construction of a just and egalitarian society in Vietnam might put off certain readers. However, it should be noted that his study does provide an alternative to conventional or mainstream studies on Vietnam, and it raises important issues.

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By way of conclusion, it can be said that this book is an important contribution to the understanding of Vietnamese society since 1975, with an emphasis on the current process of economic renovation in the country. The book is recommended reading for anyone interested in current developments in Vietnam as well as those interested in the broader implications of economic and political change in socialist countries.

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***Southeast Asia: The Human Landscape of Modernization and Development.* By Jonathan Rigg.** London: Routledge, 1997. 326 pp.

This book is a very welcome addition to the literature on modernization and development, written from the perspective of a human geographer, but it contains exactly the sort of inter-disciplinary insights that all good social scientists aspire to. It is also a very timely book, appearing before the so-called "meltdown" of the miracle economies in Southeast Asia and, of course, the wider implications of that for the region as a whole. These economies were previously held up as models of development, examples which the emerging economies in South America and Africa could follow and assume their place among the prosperous nations. The foremost proponent of this thesis was the World Bank which, in its now famous report, the "East Asian Miracle" (published in 1993), argued that the fantastic growth in this region was due mainly to the superior accumulation of human and physical capital, combined with the ability to use these more productively than other developing countries. In July 1997, this miracle first appeared to falter and then later was on the verge of collapse as currencies in the region became subject to widespread depreciation on world markets for a variety of reasons.

Jonathan Rigg, however, is not concerned with the macroeconomic policies of international organizations, or the large-scale context of where they fit into world markets. Rather, he is concerned with the fundamental relationships within these societies which shape development and impact upon the local people in a highly individual way. There are four parts to the text. First, he deals with the conceptual

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landscape of development and modernization in which he assesses the theories in development studies, their failure to deal with many of the real problems in the region, and asks ultimately how we can conceive alternative views on development and what this would mean? In the second part, Rigg focuses on the way in which people — urban, rural and indigenous — have become marginalized by the processes of development: who is excluded, why and what can happen within the system to change the dilemma of exclusion or the feeling that many people have had of being very much "not" part of any miracle. Thirdly, he assesses various worlds through this process: the rural world, the factory world, and the interactions between these divergent paths of development. The way in which the poor are located within society, the way in which farmers come into contact with the urban landscape, and the way urbanization affects agriculture and rural areas, are brought under the spotlight. Lastly, he concludes with a section called "Chasing the Wind: Modernization and Development in Southeast Asia", which brings these various themes together and enables us to deal with them. Throughout the book there are many plates, boxes, tables and figures, giving us a wealth of empirical evidence with which to understand his positions. The countries included are the once regarded "miracle economies", like Malaysia, Thailand and Indonesia, together with newly emerging economies, such as Vietnam, Laos, Cambodia and Myanmar, which are seen in the light of their former command structures, which are struggling with the effort to change their economies, all the more because the former models have experienced tremendous difficulty.

Rigg also assesses indigenous notions of development which have been seen as alternatives, which might prove sustainable compared to the quick fixes suggested by other policy bodies. Buddhism, Islamic practices, the "Asian way" are highlighted in an effort to put development and its variants in a critical and reflective light. Particularly important, and something that should be emphasized, is the downside of modernization and how it affects the lives of ordinary people. The way in which labour is marginalized, the massive problem of prostitution, AIDs and even the number of people living off garbage within many of these societies allows us another perspective of the miracle, one often not seen. Rigg deals with the details thus:

> In the early 1990s there were some 3,000 families (20,000 people) making a living rummaging through, sorting, and selling garbage on Smoky Mountain. Everything has a value from broken glass (0.10 pesos/kilo), to rubber (1.5 pesos/kg), bones (0.5 pesos/kg) and scrap copper (pesos/kg). Scavenging for 12 hours a day can earn the picker US$0.75–1.25 (p. 135).

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It is these kinds of details, combined with the plates illustrating sack-sewers in Manado, the capital of North Sulawesi in Indonesia, and with figures on how to break down the price of a shirt and numbers of refugees, and tables on human tragedies in Thailand, which make this book very special. There have been few attempts in the literature which critique macroeconomic views of development and they usually deal with local situations. Rigg goes against the grain: development and modernization in themselves are not to blame; modernization, development and the views associated with these in Southeast Asia are often problematic and rarely easy to get to grips with. Ultimately, the struggles of the people at the bottom of society should not be dismissed as a doomed and failed effort. They also play a part. This book should be read by any scholar or student seeking to understand these complex processes of political, social and economic change in Southeast Asia.

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***Regional Maritime Management and Security*. Edited by Sam Bateman and Stephen Bates.** Canberra: Strategic and Defence Studies Centre, Australian National University, 1998. 209 pp.

This monograph is the outcome of the Third Meeting of the CSCAP's (the Council for Security Co-operation in the Asia-Pacific's) Maritime Co-operation Working Group held in Bangkok on 30 May–1 June 1997, where papers were presented and a discussion held on the theme of "Regional Ocean Management and Security". The first section of the monograph is a compilation of national perspectives and arrangements for maritime management by Australia, China, India, Indonesia, Japan, the Republic of Korea, Malaysia, the Philippines, Singapore, Thailand and Vietnam. The second section discusses regional arrangements for co-operative maritime management in Southeast Asia, the South Pacific, the South China Sea, the Baltic and Mediterranean Seas, and the Caribbean. The concluding section of the monograph provides a summary report of the third meeting, which includes CSCAP Memorandum No 4, on Guidelines for Regional Co-operation.

Authorities on the subject, from eleven countries, contributed papers on national perspectives and arrangements for maritime management. The writers ranged from academics to policy-makers. Given that the

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majority of the contributors are also assisting their respective government's decision-making process, their work reflects their countries' particular maritime interests and areas of concern.

There is an obvious difference in methodology and emphasis in the various papers. For instance, Anthony Bergin's paper is detailed and scholarly in approach, covering several aspects of Australia's conception of maritime management. On the other hand, the paper by Sang Don Lee (Professor of Law at Chung-Ang University and a member of the Executive Committee of the SLOC-Study Group of Korea) looks largely at the history of maritime administration in the Republic of Korea and the establishment of the MOMAF (Ministry of Maritime Affairs and Fisheries).

Given the differences in the size of the countries examined, the maritime area each country has to manage, the areas their maritime interests are located in, and the unique problems and issues each maritime area has to address, quite naturally each author has adopted a different approach and focus. Readers of this monograph will be able to understand and get a feel of the variety of problems faced in the larger East Asian region, as well as an understanding of why neighbouring countries might not be able to fully comprehend one another's maritime problems.

From an academic perspective, the majority of the papers failed to openly state and discuss cross-border management issues, or link national solutions and proposals to issues. However, solutions and proposals to meet cross-border issues were discussed to some extent in the majority of the papers. The contributors therefore left it to the reader to make the link between issues and the solutions. Nonetheless, there were a number of well-written pieces. One of these is B.A. Hamzah's paper on Malaysia, which highlights the national arrangements made to realize Malaysia's aspirations to become a "fully fledged maritime nation". Hamzah identifies the weaknesses in the approaches of the past, and what the new solutions might be able to solve in advancing Malaysia's maritime interests. His paper also highlights specific policies undertaken by the Malaysian Government in the 1990s to meet national goals.

The second section of the monograph offers regional insights into the arrangements for co-operation in maritime management. Francis Lai provides a historical approach in the discussion of Southeast Asia, where the focus is largely on the work of the Southeast Asian Programme in Ocean Law Policy and Management (SEAPOL), which is a brainchild of the United Nations Convention on the Law of the Sea (UNCLOS) III. Grant Hewison's paper on the South Pacific examines a host of institutional arrangements put in place to deal with maritime issues in

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the South Pacific region, and the shortcomings of these institutions. Ian Townsend-Gault's discussion on the South China Sea helps with an understanding of the possibility and need for co-operation in a highly contentious area. The paper by Glen Hearns on the Baltic and Mediterranean seas, and that by Joly Eichner and Stanley Weeks on the Caribbean, provide a better perspective of regional maritime problems in the larger East Asian region. Their studies illustrate that the problems faced in East Asia are not entirely unique to the region, and that some of the solutions derived outside the region could be adapted to the situation in East Asia.

The summary report of the Third Meeting of the CSCAP's Maritime Co-operation Working Group is prominently featured in the conclusion. The findings and discussions at the meeting have prompted the introduction of the concept of "Ocean Management" as opposed to "Ocean Governance" as the correct terminology to describe the management of oceans and seas. It is argued that seas cannot be governed as such, and that "sea command" in the classical strategic sense has no place in the contemporary world. The findings of the meeting also indicate that ocean management and regional security are closely interlinked, particularly in the Asia-Pacific where there are many contentious maritime problems. The guidelines (CSCAP Memorandum No 4) worked out at the meeting for regional maritime co-operation in the larger East Asian region highlight the fundamentals that the region has to achieve in order to ensure maritime peace.

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Contemporary Southeast Asia, Volume 21, Number 1, April 1999

Letters to the Editor

Oil and the Lack of It in the South China Sea

In the article by Ian Townsend-Gault, "Preventive Diplomacy and Pro-Activity in the South China Sea" (*Contemporary Southeast Asia* 20, No. 2, August 1998), a number of assertions are made, which we would like to respond to.

We and our work, *Sharing the Resources of the South China Sea* (Kluwer Law International, 1997), are included in Professor Townsend-Gault's broad-brush attack on "the inability of analysts to appreciate or deal with the full complexity of the topic" and of "cling[ing] doggedly to one view of the issue — their [our] own — and do[ing] their [our] best to dismiss or discount the views of others". Specifically, we are accused of "support[ing] the oil lobby" and of failing "to undertake a structured analysis".

We wonder if Townsend-Gault has read our book thoroughly. The title does not reveal the book's full contents. The book provides the regional political context of the problem and analyses the strengths and weaknesses of the South China Sea claims according to international law, as well as boundary delimitation issues and the political dimensions of the disputes. It then goes on to review various approaches to co-operation and/or resolution of the disputes, including allocation of maritime space, and underscores the danger of the *status quo*. It is precisely because the jurisdictional and sovereignty issues are intractable and the claimant's arguments are weak and stale, that we have proposed joint-management of *all* the "resources" beyond 200 nautical miles, including, specifically, the *environment*.

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As regards the view that we support the "oil lobby", we state on page 11 under "The Oil Factor":

> In any case, the disputes are not only about oil but are also about the strategic significance of the islands and the nationalism behind the sovereignty claims thereto. In this context, a solution would be primarily a confidence-building measure designed to promote demilitarization of the area with access to potential oil a secondary consideration. Furthermore, the claimants are countries, not oil companies. Countries must and do think long-term and multi-dimensionally, particularly when "territory" is involved. For example, resources other than petroleum may eventually be discovered and/or exploited, such as deep seabed minerals or the energy potential created by marked vertical temperature differences in the water column (Ocean Thermal Energy Conversion). It is thus doubtful that the claimants would dampen their interest in this area simply because the oil potential may be modest.

We commend Townsend-Gault and his colleagues for their efforts in co-ordinating the informal Workshop series on Managing Potential Conflicts in the South China Sea. We agree with Townsend-Gault that these meetings have the potential to promote confidence and trust and to contribute to the mitigation of the seemingly intractable dispute over sovereignty and jurisdiction. And we hope, as he does, that the Workshops will "pave the way for formal discussions".

Thus far, however, these meetings have not led to any real multilateral co-operation or serious efforts to even discuss the central issues. And the participants have successfully resisted formalizing any part of the process. Worse, despite routinely avowing not to undertake any actions in the area that will destabilize the *status quo*, some of the claimants, particularly, but not exclusively, China continue to do so. Witness the recent China/Philippines flap over the Philippines' arrest of Chinese fishermen near the Philippine-claimed Mischief Reef, and new Chinese construction activity on Mischief Reef.

And China, in particular, continues to use — and abuse — the process to delay and obfuscate the discussions. Confidence and trust, rather than being enhanced, have been eroded, if not lost altogether. And the process has certainly not "prevented" unilateral actions.

Townsend-Gault makes an eloquent appeal for co-operative work, particularly on protecting the environment. We share his concern with protecting the environment of the South China Sea, but also recognize that in the real world of international politics, protecting the environment of the Spratly area is simply not among the highest priorities of claimant countries, no matter how much any of us may wish it to be so. In the

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scheme of national priorities, environmental protection is unfortunately subordinate to national pride, security, and control of resources.

We have been honoured to have been able to serve as resource persons at some of the South China Sea Workshops, and we stand ready and willing to assist the process in any way the organizers deem appropriate. Furthermore, we continue to hope that this process will be productive and successful. Thus, we are surprised and disappointed that Townsend-Gault reacted so negatively to the ideas we put forward in our book, and we hope that a closer reading will produce a more positive response.

MARK J. VALENCIA
and JON M. VAN DYKE

Response by Ian Townsend-Gault

I would like to make the following points in reply to Dr Valencia and Professor Van Dyke.

My reference to the dogged persistence with which some writers rehashed the "oil-rich Spratlys" theme was not intended to refer to the work of Valencia and Van Dyke, but rather to those writers who repeat and recycle what they have heard or read without bothering to check their facts. I have several writers in mind, but it would be invidious to mention one without mentioning all, so I referenced none. My article did not discuss the book by Valencia, Van Dyke and Ludwig, and I should perhaps have said in referring to it that the prospects for oil has been the point of departure employed by Valencia on the three occasions in the past few years when I have heard him address the proposed arrangement for the South China Sea in conferences or workshops. Allow me to take the opportunity to say that their work is to be welcomed as a sound, valuable and creative response to a difficult problem (although I have reservations about its basic political premise).

A very different but equally creative approach was mooted at the 1996 Conference organized by the International Boundaries Research Unit at the University of Durham. However, I am quite unrepentant in saying that too much has been said on the oil issue and by no means enough on other, arguably more pressing, matters. The supply of oil would have to be fabulous indeed to dislodge the proven importance of the South China Sea as a source of protein for the hundreds of millions of people in its coastal zone. That, and that alone, is the point I was trying to make in the early sections of the article.

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As regards oil potential, our friends in the petroleum industry have a saying: "Oil is where you find it". Natural resources, or the rumour of natural resources can start, and have started, wars. The lure of El Dorado makes otherwise sane and rational people throw caution to the winds (witness Bre-X). In Canada, we went through four federal licensing regimes, several Supreme Court cases, much policy-making, and an appalling disaster (and consequent Royal Commission) before a drop of oil was produced offshore, despite glowing predictions on the extent of our resources (yet to be proven). The Japan-South Korea Joint Development Zone seems to have produced more academic papers and analysis than oil (and yet was once touted as an area of enormous hydrocarbon potential). It is an odd business, where myths are hard to dislodge.

I am a lawyer, and quite unfit to do other than repeat the views of geologists. I quoted one authoritative source regarding the lack of evidence — real evidence — for the existence of commercial accumulations of hydrocarbons in the Spratly area. I have heard geologists, including a senior functionary of the East-West Center (in Hawaii) itself — deny that resources could possibly exist in such quantities. Again, I should be sorry if this debate were to be allowed to obscure the existing problems in the South China Sea. The government of the Philippines is perfectly correct in pointing to the environmental damage committed each time one of the coastal states builds on a reef. I am prepared to be corrected on this point, but I am sure that no heed whatsoever has been paid to the environmental consequences of these rash actions.

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Articles

Hegemonic America:
The Arrogance of Power
BOB CATLEY

China's ASEAN Policy in the 1990s:
Pushing for Regional Multipolarity
JOSEPH Y.S. CHENG

Challenges Facing ASEAN in a More Complex Age
JOHN FUNSTON

APEC and the WTO:
Which Way Forward for Trade Liberalization?
JOHN RAVENHILL

Indonesia's Role in ASEAN:
The End of Leadership?
ANTHONY SMITH

National Security and Malay Unity:
The Issue of Radical Religious Elements in Malaysia
KAMARULNIZAM ABDULLAH

Burma/Myanmar and the Dilemmas of U.S. Foreign Policy
DAVID I. STEINBERG

Book Reviews

Volume 21, Number 2 August 1999

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Hegemonic America: The Arrogance of Power

BOB CATLEY

Three times in the twentieth century the United States attempted to use its power to impose a liberal world order: in 1919, 1945-48, and after the Cold War. We now call it globalization. During the 1990s, the United States has been the miracle economy and its corporations have assumed ascendancy. Since 1996, after President Bill Clinton's re-election, the United States has been increasingly assertive; it has used its power to prop up the Russian President, bully the Chinese into liberalization, push the stagnant Japanese economy towards reform, insist on the "Washington consensus" of liberalization, and try to control the United Nations. In the 1997-98 Asian economic meltdown, the United States used the International Monetary Fund to push for political reform in East Asia. Washington is now using NATO to redefine the meaning of sovereignty in the Balkans. The United States has shifted from being a benign hegemon to an arrogant superpower and this will likely generate a hostile reaction.

The United States entered the twentieth century as the most powerful country in the world. It has retained this status throughout the century, although arguably the German occupation of Europe in the early 1940s provided a brief interruption. This power has been based on a large, well-educated and fairly homogeneous population, a substantial and well-located territory, the world's premier economy, and a state supported by its people and capable of mobilizing its resources for military conflict when the occasion has demanded.

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The purposes of the American state have always provided fertile ground for intellectual debate. Unlike, say, the British or French or German states, the United States has rarely resorted to the formulation of mere national interest when announcing its objectives. The balance of power, the securing of natural frontiers, or the creation of a linguistic imagined community have been beneath the dignity of a state pursuing "a world safe for democracy", a "Free World", or a "New World Order". Of course, critics and scholars alike have been quick to describe the United States' traditional diplomatic pursuit of a sphere of interest in the Americas under the Monroe Doctrine or its successive corollaries, and have even seen the doctrines of the balance of power behind its opposition to Nazi Germany and Soviet Russia. But to a degree, this misses the point. Americans believe in what Kissinger calls American "exceptionalism".[1] The overarching ambition of the U.S. state has marched beyond the grubby confines of the diplomacy of self-interest. This is a state with a global mission.[2]

The character of this mission has been on view three times during this century after each of the American defeats of rival and aspiring hegemonic powers. The key components of the American mission are: free trade between states; removal of obstacles to the movement of capital; the creation of representative political institutions within states, or liberal democracies; and the replacement of power politics by international institutions and the rule of law. The American élite has believed for three generations that these conditions will produce a world of economic growth and international peace from which America, among others, will greatly benefit.

In 1918-19 this vision briefly emerged in the guise of "Wilsonian liberalism" and its pursuit of a liberal world order, sustained by the collective security of the League of Nations. It was defeated by the even older American tradition of isolationism from the affairs of Europe, which led to the U.S. Senate's refusal to endorse the League's Covenant. In 1944-48, after the defeat of the Axis powers, the same impulses led the United States to create the political and economic architecture of the post-war world, centred on the United Nations, the World Bank, the International Monetary Fund (IMF), and the General Agreement on Tariffs and Trade (GATT). This attempt to create a global liberal order was resisted by the Soviet Union and its allies for the next half century. As a result, the "Free World" was always partly militarized and severely compromised by the needs of the national security state the United States was forced to create.

The third American attempt to construct a liberal world is that in which we are now living and which is described variously as the New World Order (Bush), a world of freely trading democracies (Clinton),

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or globalization (most of the rest of us). Its economic policy dimensions are often termed "the Washington consensus", and its military form is NATO (North Atlantic Treaty Organization) multilateralism, as practised through NATO in Serbia. This design springs from the American defeat of the Soviet bloc ten years ago and its attempt to complete the mission of 1918-19 and 1944-48 — that is, to create a liberal world order from which it will be a major beneficiary.

It should not be doubted that the United States possesses the power and probably the determination to try to enforce this vision on the rest of the international system, particularly since it has powerful allies in this endeavour. The declinist school was wrong. The predictors of American decline from the 1960s to the early 1990s took for their evidence the sliding value of the dollar, the shrinking U.S. proportion of world economic production, the continuing structural external and internal deficits, the fragility of American military power and the unwillingness of Americans to support it, and the perceived social crises evident most visibly in American cities. Since the Cold War ended in the defeat and dissolution of the Soviet Union, most of these indicators have been reversed.

During the 1990s, the U.S. dollar has risen in value against most other currencies, and New York has re-emerged, with London, as one of the top two financial centres.[3] The U.S. economy has undergone a sustained boom and reorganization since the recession which brought Clinton to power in 1992, and is now easily the world's largest as well as one of its fastest growing. It is more than twice the size of the second largest, Japan, and growing more quickly.

While it is true that the U.S. proportion of world economic output declined from an unprecedented 50 per cent in 1945 to less than a quarter in 1980, it began to stabilize at about one-fifth of world output in the late 1980s. Indeed, during the 1990s it has increased as a result of the domestic boom and the rising value of the dollar. This has been accompanied by a turnaround in the country's fiscal situation. During the Vietnam War period, the United States had substantial structural domestic and external deficits which resulted in other countries having to pay some of the cost of that war. In the 1980s, the Reagan Administration did the same thing in financing the military build-up which it used to bring the Soviet Union to its knees. In the late 1990s, the Clinton Administration has begun targeting structural fiscal surpluses which began in 1998. The peace dividend was taken with a modest reduction in the military budget and a substantial improvement in U.S. fiscal policy.[4] As this occurred, Clinton began to suggest using the proceeds to improve American welfare programmes as a means of reducing social disharmony, thereby lessening the likelihood of a social

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crisis impeding U.S. global ambitions. The Republicans want to use the projected surplus to finance cuts in tax rates.

The American military budget is larger than that of the next ten largest national military budgets combined, and is now — after the White House announcement in January 1999 of its intention to spend US$12 billion more annually — probably growing more quickly than any other. U.S. military equipment and technology are also greatly superior to those available to any other military force, as has been continually demonstrated in the conflicts of the 1990s: the Gulf War and its aftermath, the Taiwan Strait crisis, the Balkan wars, and the bombing of Serbia most notably. U.S. military doctrine is to be able to meet two major military contingencies and a minor one simultaneously. Arguably, it already did that in 1996 against Iraq, China, Serbia, and North Korea. The most recent additional programmes are designed to enhance U.S. unmanned weapons capabilities, thereby reducing further the likelihood of the heavy casualties which had impeded U.S. military operations in the past.

Americans may well have overcome the Vietnam Syndrome but their state is none the less doing its best to construct a military machine which no longer takes casualties in its pursuit of national interest, as the 1998 bombings of Iraq, Sudan and Afghanistan, and the 1999 bombing of Serbia were in part designed to show. The economic boom of the 1990s, together with tougher policing and the largest prison population in the world, has also served to mitigate the previously widely heralded social crisis of modern America, as inflation, crime rates, and unemployment have sunk to levels not seen for at least a generation. While it is true that many have discerned a continuing social crisis, particularly in America's inner cities, this has been contained and arguably reduced during the past decade. It has, in any case, proven irrelevant to the conduct of American geopolitical strategy.

How would the United States benefit from the creation of a liberal world order? It is of course the case that not all Americans believe that it would. Enough Senators believed that the United States would not for the League Treaty to be rejected. In the 1930s, the dominant American sentiment was isolationist. After World War II, a determined effort had to be made to persuade the American public to support the liberal peace plans, and then the rearmament programme which followed the onset of the Cold War. It took a determined Reagan to mobilize the United States for the second stanza of the Cold War in the 1980s. And there remains opposition to globalization in the United States, manifest, for example, in Pat Buchanan's presidential campaigns and the congressional rejection of Clinton's proposal for fast-tracking bilateral free trade treaties.

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But since World War I, the trend in U.S. political and corporate élite opinion has been in the direction of increasing support for an interventionist American foreign policy designed to create a liberal world order. American public opinion has broadly supported this goal since the 1940s, subject to some re-evaluation after the Vietnam defeat.[5]

Ideologically, American sentiment is committed to liberalism as a project, which it believes will generate economic development and its corollaries — democracy and international peace. The spin-off for America, with the world's strongest economy and base for many of the world's largest corporations, includes a world safe for American business. During the only period when such an international economy has been in existence globally — the 1990s — the United States has enjoyed one of the strongest booms in its history. Bill Clinton has continually linked these two processes. In his 1999 State of the Union Address, Clinton said:

> For our own prosperity, we must support economic growth abroad ... until recently a third of our economic growth came from exports ... I also ask you to support creating a freer and fairer trading system for 21st century America ... we ought to tear down barriers, open markets and expand trade ... now that the world economy is becoming more and more integrated we have to put a human face on the global economy ... then we will begin to meet our historic responsibility to build a 21st century prosperity for America.[6]

How does the United States benefit from this system? "By the mid-1990s more than 38,500 MNCs world-wide with more than 250,000 foreign affiliates generated US$5.2 trillion in global sales, outpacing world-wide export of goods and services and accounting for one-fifth of the globe's US$25 trillion economy".[7] The U.S. gross national product was at that time about US$7 trillion.

The United States had emerged as the source of the greatest number of corporations of any state. In 1996, the United States was the headquarters for 162 of the top 500 corporations, while Japan had 126, France 42, Germany 41, and Britain 34. In other words, the five largest liberal democracies, which form the core of the drive for a globalized economy, account for over 80 per cent of the companies which dominate it. If countries' economies are ranked together with multinational corporations' (MNC) corporate sales, the United States is first, but General Motors (US), Ford (US), Mitsui (Japan), and Mitsubishi (Japan) are twenty-third to twenty-sixth respectively, just after Austria, Belgium, Sweden, Taiwan and Australia, which rank twenty-second to eighteenth respectively. The MNCs which then follow in the top fifty of the combined list include Itochu (Japan) 30, Shell (Anglo-Dutch) 31, Exxon

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(US) 35, Sumitomo (Japan) 36, Toyota (Japan) 38, Wal-Mart (US) 39, General Electric (US) 44, Nissho Iwai (Japan) 45, Nippon T & T (Japan) 46, IBM (US) 49, and Hitachi (Japan) 50. Israel, Malaysia, Venezuela, Pakistan, Singapore, and the Philippines have yet to appear.[8]

The United States has the largest number of MNCs although they are not exclusive to it, nor does the United States dominate every sector. Many smaller countries have also been able to create large MNCs, including South Korea (Daewoo and Sunkyong), Sweden (Saab), Holland (Philips), Finland (Nokia), Italy (Fiat and IRI), Switzerland (Nestle), and Australia (Newscorp and BHP). In the financial sector, because of stricter U.S. anti-trust regulations, only three U.S. banks rank in the top twenty — Citicorp in fourth position, Chase eleventh, and Bankamerica nineteenth — in a list which starts with Bank of Tokyo/ Mitsubishi, Deutsche Bank, and Credit Agricole. None the less, in high-technology sectors such as computer software, Internet and the Global Positioning System (GPS), U.S. companies dominate. They also dominate production and trade in the aerospace, information, education, cultural, television and movie, biotechnology, armaments, transportation, food, pharmaceutical, and medical technology sectors. Even in finance, while the Japanese, Germans and French may achieve greater savings and have the largest banks, it is the New York money market (followed by London) which organizes their lending as a wholesale finance distribution centre.

This is most certainly not to say that the globalized system is designed to merely benefit U.S. corporate wealth, as Marxist theorists have been too quick to conclude. Indeed, Clinton has defended the system as providing higher living standards for all Americans and generating economic growth for all states which participate in the global economy. Frequently, against U.S. critics of globalization, including some labour unions and the eternal Republican presidential candidate, Pat Buchanan, Clinton has argued that a third of new jobs generated in the United States during the rapid economic expansion of the mid-to-late 1990s have been attributable to the international economy. The British Prime Minister has made a similar point when arguing that a fifth of British jobs are in the finance sector, which is in itself highly internationalized.

The point of a liberal economy, for liberals, is that it is not exclusivist and that its benefits can be accessed by anyone wishing and able to do so. That the United States is also incidentally a major beneficiary is merely an added incentive for U.S. policy-makers. Since it has been so beneficial, a policy model was created to enhance it.

None the less, the question is often posed: can the United States

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wield its power in a determined and co-ordinated fashion for the purpose of refashioning the world order? In 1941, Imperial Japan misjudged the capacity of the U.S. state to so behave as a result of a misreading of its structure. The gridlock so commonly displayed in domestic politics, and usually springing from the doctrine and reality of the separation of powers, only rarely becomes manifest when it comes to the pursuit of external interests.

The Historical Origins of the American Imperial State

The founding fathers, of course, disputed the character they should bequeath the new revolutionary state.[9] This was resolved in the following century by its actual development. The anti-statist sentiment then prevalent in Anglo-Saxon political thought was consolidated by the anti-colonial revolutionaries into a state where no single faction could easily triumph, and federalist forms combined with the separation of powers to construct a state structure of uncommonly dispersed authority.

This was not the case with respect to external powers. The United States fought a long series of wars, mostly successfully and many for conquest, to emerge with the most powerful military machine in the world in 1865. It then industrialized extremely rapidly with the assistance of the state, which took seriously its responsibility to develop the national economy by maintaining the tariff, and permitting massive immigration to accelerate market development and to provide labour. Contrary to the Jeffersonian vision, the business of the United States emerged as big business.

Already, by the turn of the century, the power of the American state was such that the British resolved to avoid conflict with it. In contrast to its strategy for the containment of German power, London appeased the rising power of the United States,[10] and arguably, since that time Britain has evolved as a junior partner to American power. The American executive was able to take the United States into the war in 1917 despite Woodrow Wilson having been elected in 1916 on a platform of not entering the war. Similarly, Franklin Roosevelt was able to take the United States into World War II despite isolationist public opinion, by effectively opposing the central objectives of the Axis powers — the conquest of Britain and China.

The United States was the dominant military and industrial power in the Americas by the middle of the nineteenth century. By the time it entered world (that is, effectively European) diplomatic manoeuvring, it was a major world military and industrial power. For what purpose did it intend to use this power? The short answer is to create a liberal international order from which American business and citizens could

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prosper. Wilson's internationalist vision was the creation of both a world fit for democracy and one in which American business and finance could prosper.

Domestic Constraints on U.S. Power

This is not to say there are no domestic constraints on the external use of American state power. The first attempt to create a liberal world order was, of course, defeated by the U.S. Senate, although recently, scholars have argued that it was Wilson's ill-judged political stratagems, rather than an established isolationist majority, which defeated the League.

As World War II was coming to a successful conclusion, the Roosevelt executive made a more concerted and determined effort to ensure that the peace plans of the American state were not only clearly formulated but also strongly supported throughout the nation.[11] The central tenet of those plans derived from the idea that the Depression of the 1930s had produced inter-state economic competition and had led to the war. It was also believed that statist economic policies, which the United States had earlier practised itself, had worsened the Depression. It was also more vaguely believed — and this was later to appear strongly in academic literature — that the world economy required a leading state to guide it. Britain had fulfilled this function in the nineteenth century but was too weak to re-assert that leadership after World War I. In the aftermath of World War II, the United States stepped forward to undertake this role. In the parlance of international relations theory, the United States became an aspiring hegemon, seeking to rewrite and then enforce a new system of rules to guide international behaviour.[12]

The major obstacles to the creation of a liberal world order were the statist economic regimes of, particularly, colonialism and communism and the maintenance of power politics as the means for diplomatic intercourse. The enforcement of decolonization on the old colonial states, especially those in Europe and Japan which became dependent on U.S. aid for their post-war reconstruction, dealt with the first. Financial assistance was unsuccessfully used to lure the Soviets away from their planned economy. The United States was then instrumental in the creation of a series of economic institutions designed to sustain the liberal economy in that part of the world where it triumphed — the United Nations, the International Monetary Fund (IMF) and the World Bank, and the General Agreement on Tariffs and Trade (GATT).

The opposition of the Soviet system then proved to be the most durable obstacle to the creation of a liberal world order. This required

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a quite different strategy to overcome it. As a result, a generation of scholars came to the view that anti-communism was the driving force of American foreign policy. This placed the cart before the horse and presented an ill-ordered view of the priorities of U.S. foreign policy.

The United States was forced to create a national security state and to remilitarize in 1948-50 if it was to continue to pursue and defend a liberal world order.[13] The Korean War and NSC-68 (National Security Council Document Number 68) provided the occasion for this transition. It also generated some anti-liberal impulses within the United States as the regime imposed the new Cold War orthodoxy on the domestic order and on U.S. foreign policy, as it sought allies against the Soviets that were sometimes themselves opposed to the liberal world order, notably colonialists, militarists and even anti-Soviet communists.

The Cold War consensus thereby generated was not the natural impulse of the United States, but a defensive reaction to Soviet opposition. That consensus was almost destroyed by defeat in the Vietnam War. But the considerable popular opposition to that war in the United States was a historical anomaly, despite the best efforts of leftist scholarship to create a previous history of anti-War protest. It was an anomaly in three respects: it was a U.S. defeat; it was a war opposed by many Americans; and it led to a (brief) period during which the American state was functionally unable to use force to pursue its interests during the late Nixon, Ford and particularly, the Carter Administrations.

The Reagan Administration reversed this trend. It was able to increase military expenditure considerably, to use force to pursue American interests, including occasionally by military means, in the Third World under the Reagan Doctrine, to change its nuclear strategy towards fighting and winning nuclear wars, and to abandon *détente* and confront the Soviet Union. The cost of these activities was effectively shared with the other liberal capitalist states by means of running both budget and trade deficits which were funded by other countries, notably Japan but also the Europeans. Americans won the Cold War and enjoyed an economic boom.

While Ronald Reagan undoubtedly laid the basis for that victory, it was George Bush who briefly reaped the benefits. He had, however, been for too long a staunch supporter of the Cold War. Although an oil millionaire, Bush was a product of the national security state and had served its agencies. His field was geopolitics and the manoeuvrings of the Cold War. This served him well in the only serious crisis he faced — the Gulf War. But his efforts to create a New World Order were poorly constructed and quickly fell foul of the 1991-92 recession.

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The victor in the 1992 election was the first post-Cold War American President who had served a quite different apprenticeship. Bill Clinton was an outsider to the national security state, a philosophical liberal who enjoyed a populist base, and a Governor who had learnt by defeat not to buck the business community.[14] After some stumbling from inexperience, Clinton emerged by 1995 as the major spokesman for the global economy that the United States was trying to create. American geopolitical strategy became a function of this objective.

U.S. Policy in Europe After the Fall of the Soviet Empire

As the Soviet Union disintegrated in 1991 under the combined impact of the economic decline attendant on the dissolution of the planned economy, the insistence of secessionist nationalisms, and the military coup in August, so American policy paradoxically foundered. Bush determined not to proclaim an American victory and, Francis Fukuyama notwithstanding, even tried to dissuade the Baltic states and the Ukraine from seceding. He was to try the same with Yugoslavia, with similar success.

Boris Yeltsin rescued U.S. policy by permitting the dissolution of the Soviet Union and providing a post-Soviet Russian leadership that the United States could support. Since 1991, Yeltsin has provided the bedrock of U.S. policy in what used to be the Soviet Union. He has been substantially supported financially in office and maintained there by U.S. aid as he has tried to create a liberal economic and political order on the remains of the communist state.[15] In the rest of Europe U.S. policy has been to pursue a liberal order on the basis of the military structure of a NATO extended to the Russian border. Then in 1999 the United States got NATO to extend its responsibilities into the Balkans and further outside the European continent.

> The United States and NATO have effectively abandoned the old UN Charter rules that strictly limit international intervention in local conflicts. They have done so in favour of a vague new system that is much more tolerant of military intervention but has few hard and fast rules. What rules do exist seem more the product of after-the-fact rationalization by the West than of deliberation and pre-agreement.[16]

The North Atlantic Treaty Organization had now become an offensive alliance of liberal democracies, urged on by the United States to become an agency for the imposition of liberal democratic values on Europe and, if possible, further afield. The campaign in Kosovo had become both the means for the United States to convert NATO into a more global instrument which it had been seeking to do for a few years

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anyway, and the first demonstration of this new NATO role, the credibility of which in turn became justification for prosecuting war on the designated rogue Yugoslav regime.

Washington also wanted a change to NATO's defence strategy, described by Secretary of Defence William S. Cohen as a shift from "fixed, positional defence to a flexible, mobile defence." In essence, the United States wanted to be sure that NATO could project power outside Europe and sustain it over long periods, and maintain it even against chemical, biological, or electronic warfare attack. "We need advanced, mobile communications, helicopters, lift and sustainability," one U.S. official said. "But a lot of armies in Europe, including the German, are still configured for a European land war, with tanks so heavy you can't move them." The United States clearly had in mind to use NATO forces to assist U.S. forces in dealing with theatre wars against rogue states like Serbia and Iraq, or even North Korea.

The United States is also trying to alter the European Union by widening its membership to include the former communist states of Eastern Europe, deepening its integration but dismantling its common barriers to external economic intercourse.

The European Union (EU) had been a convenient instrument for West European solidarity against the East during the Cold War. After the Cold War, it provided two major obstacles to the American objective of a liberal world order. It was constructed on the basis of an exclusive trading bloc with common barriers to the outside world economy. The United States started to try to batter this down with the other instruments of global liberalism, notably, the GATT which Bush used to force the French in particular to acquiesce in the results and commitments of the Uruguay Round. The continental EU had also generated the so-called "social charter" version of capitalism under which the role of the state in regulating and distributing was much greater than in the Anglo-Saxon version extant in the United States, post-Thatcher Britain, and post-Douglas New Zealand.

U.S. Policy in Asia

In Asia, the onset of the Cold War produced a four-point U.S. strategy. First, it dismantled the militarist Japanese state and replaced it with liberal political structures, the interventionist characteristics of which could be tolerated in a loyal ally during the confrontation with the Soviets. Secondly, it set about dismantling the colonial empires and replacing them with independent nation-states which it courted for the purposes of the Cold War strategy. Thirdly, it developed a containment

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strategy designed to prevent the spread of Chinese revolutionary communism. And finally, it set about protecting that part of Asia which it had brought into the world liberal economy by establishing a military command at Honolulu which extended from the Persian Gulf oil-fields to San Diego.

As the Cold War concluded so U.S. strategy in the region changed. While it remained determined to resist military challenges to the security of capitalist Asia — as it has reiterated in three strategic reviews which all reaffirmed its stationing of up to 100,000 military personnel in the region, and as it showed in the military containment of Iraq throughout the 1990s, and of China in March 1996 — it would now pay more careful attention to the structures of the capitalist system it dominated.

The prosperity of Japan was constructed under American auspices and with a state-directed corporate structure that took strategic trade theory to new heights. This dirigiste system produced an outstanding record of economic growth until the 1990-91 recession, when it came to an end. The Japanese economy has stagnated since then.

The Asian economic miracle, which was declared in the 1980s, sprang in large measure from other Asian states seizing the opportunities offered by a booming and capital-surplus Japan. Other states also constructed their own versions of state-capital interface to create rapid economic growth. During the Cold War, these "ersatz" or "crony capitalist" systems were acceptable to the United States for both demonstrating the superiority of market systems over the planned economies, and stabilizing friendly regimes. But with the end of the Cold War, they started to emerge as obstacles to a globalized economy.

The international financial markets, led by New York and London, and the major financial institutions, particularly the IMF, began to scrutinize more closely these East Asian economies in the mid-1990s. Beginning in early 1997, financial managers started withdrawing funds from those economies they deemed to be illiberal and corrupt in management, which included Thailand, South Korea and Indonesia, and then, in knock-on effect, other regional countries, and then other resource-based economies like Russia and Brazil.

During the process many of these countries sought IMF assistance packages, and it became clear in 1998 that the IMF would now only provide them if political conditions were met. These often meant substantial political restructuring and regime changes. Acting through the financial markets and public international institutions, the United States was now forcing political liberalism on those states seeking to integrate into the global liberal economy it was creating. At the same time, it intensified pressure on Japan to dismantle its interventionist state in the interests of resuming economic growth.

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U.S. policy in Asia had become the pursuit of liberal political and economic regimes better suited to its globalized liberal world order.

Challenges to U.S. Hegemony

In the traditional literature of international relations, two principal theories could be deployed to examine the likelihood of U.S. primacy, or hegemony, surviving long enough into the twenty-first century to accomplish its ambitious project: balance of power, and imperial overstretch.[17]

The *balance of power* theory has, of course, been a major explanatory device and tool of policy guidance since the interstate system evolved in its modern form in the sixteenth century. It holds that an aspiring hegemon will be challenged by a combination of powers who share the interest of not having one single state control the system. In one form, this was seen as the principle which maintains the freedom of the states which comprise the system.

Is there a potential coalition of powers which may successfully challenge the United States?

It should be borne in mind that whatever their other differences, and these emerge from time to time over economic, political and strategic, and other issues, the developed democracies, or OECD countries, share with the United States much of the aspiration for the creation of a liberal world order. This has ensured that these states, which include many of the other major powers in the international system, are indeed allies of the United States.

The differences between the British and Americans have been minimal in the last two decades, as apparently fortuitous changes in government have provided them with ideologically similar regimes for much of the time with sympathetic leaders, including particularly Reagan and Margaret Thatcher who deliberately set about reviving liberal ideology in the 1980s. Both countries now have left-of-centre governments intent on pursuing globalization and building on the liberal reforms of their right-of-centre predecessors. Almost the same observations could be made about Japan.

Hostile great powers who might form a challenging combination include Russia, China, and India. Indeed, periodically there have been attempts to unite all three, or two of them, in statements that have often sounded like declarations against the hegemony of the United States. The problems involved in creating such an alliance revolve around two issues: the powers and interests of the states involved; and their capacity to unite around a progamme contrary to U.S. objectives.

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Russia has been unable to construct a viable post-communist order capable of restoring the fortunes of its population and its status in the world order. Its economy has contracted each year since the end of communism, market capitalism has not been able to stabilize without being nearly overwhelmed by organized criminals who mostly learned their trade in the Soviet black economy, and the military machine has been wound down and dismantled in circumstances which still occasion disquiet about the fidelity of its nuclear decommissioning. Although Russia possesses the nuclear arsenal of a major power, its power projection capability was probably better reflected in the Chechnya conflict.

Perhaps even more significantly, the Russian regime is dependent on U.S. financial support. Since the creation of the Russian Federation out of the ashes of the Soviet empire, President Boris Yeltsin has been dependent on U.S. support. In the 1996 presidential election,[18] he started behind the communists and won in some measure because of his ability to pork-barrel the Russian electorate with money provided by the United States. In the 1998-99 financial crisis, the Russian economy faced disintegration and Yelstin sacked his entire Cabinet. He then depended on U.S. support for the provision of a US$22 billon loan to tide him through. The Russian economy, which is essentially a resource exporting system tied to a few globalized cities, is heavily dependent on U.S. finance and goodwill.

In 1995, China made some significant steps in opposition to U.S. policy, seemingly in the belief that it could counter U.S. power as wielded by an ambivalent and inexperienced Clinton in East Asia. It sought to prevent the apparent and probably ill-conceived movement of the Kuomintang regime in Taiwan to establish an independent identity; it continued its push south into the South China Sea; and it extended its relations with other regimes hostile to the United States in South and West Asia, like Iraq, Iran, Pakistan and Myanmar, particularly with respect to the provision of arms. This probing culminated in the severe defeat of Chinese prestige in the Taiwan Strait crisis of March 1996, when it was made clear that the Chinese regime had no match for U.S. military power, even just in the form of a two-carrier battlegroup.

India has long been hostile to the objectives of U.S. power in Asia and, during the Cold War, this was manifest in its close relationship with the Soviet Union. Since the Soviet collapse, it has begun the process of liberalizing its economy to ensure its survival in a globalizing world economy. This has depended to a degree on its acceptance of the IMF and the international financial system, which are of course dominated by U.S. interests. India has been partly successful in this respect. But the election of a nationalistic Hindu government in 1997

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merely served to deepen the fissures. This has been manifest most clearly in U.S. opposition to Indian nuclear weapons acquisition and a nuclear-testing programme. But the collapse of the Bharatiya Janata Party (BJP) government suggests that a sustained Hindu-nationalist-based opposition to Indian participation in the global economy is unlikely.

At different times, these three major powers have expressed their forceful opposition to U.S. strategy. Russia continually expresses opposition to the U.S. strategy of using force to contain the power of Russia's old allies, Iraq and Serbia, and of extending NATO to Russia's frontier. India opposes the U.S. dual-containment strategy — of both Iraq and Iran — in the Gulf and its 1998 bombing of Afghanistan, Sudan and Iraq. China has offered some support for Myanmar and Iraq and, in a more qualified way, is uneasy with the prospect of the United States crushing North Korea. But there are limits to how far these states can and wish to go in opposing the United States which is, to some degree, able to obstruct their larger plans for economic development if it so wishes.

In any case, were these powers to seek a joint anti-U.S. alliance it is difficult to see it extending beyond the particular issue of the day. In 1996, Russia and China might have made ill-concealed joint statements about the treatment they were then receiving at the hands of the sole superpower in preserving Taiwan and extending NATO to the Russian border, but no grand coalition could emerge because they had no joint grand strategy. Regime stability in both countries depended on U.S. support. Similarly in 1998, India, smarting at the U.S. opposition to its nuclear testing, tried to create allies around an anti-U.S. fulcrum. But by that time, the Russian regime needed US$22 billion for its financial bail-out and China had accepted the deal of "constructive engagement" with the United States — a junior partnership. Short of each of these three powers resorting to planned economies of some sort, their acceptance of globalization had restricted their options. This is not to deny the periodic troubles that these three powers can create for U.S. policy. These are exacerbated when one of the powers determines to support a belligerent regional power who is engaged in directly opposing U.S. strategy. U.S. policy planners call these "rogue states" in recognition of their determined opposition to globalization and pursuit of geopolitical national interest. The most determined of these regimes include: Iraq, Serbia, North Korea, Cuba, Myanmar and Iran, but the list could be lengthened.

Iraq is the only "rogue state" which presents a serious threat to the globalization project *as a whole*. If its ambitions of annexing Kuwait, aligning with Jordan, Yemen, and the Palestine Liberation Organization

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(PLO), and creating revolutionary Arab regimes elsewhere — particularly in Saudi Arabia — had been realized, the Iraqi regime would have been in control of about half the world's known oil reserves and established itself as a price-setter in the world's most heavily-traded source of energy. The resultant redistributive activities would have been potentially massively disruptive for the global economy. Hence, the attention the United States has paid to containing Iraq's ambitions.

The other "rogue states" present threats to U.S. interests which, while serious, are essentially local. Serbia, which appears now to be co-ordinating its anti-U.S. moves with Iraq, is a disruptive force in southwestern Europe but, even with Russian support, it is little more than that. North Korea is a potential menace in Northeast Asia but, even with a limited nuclear arsenal and medium-range missiles, it is essentially a regional nuisance. Missiles capable of reaching the United States with nuclear warheads might be more serious but could in the circumstances of a collapsing North Korean economy be traded for a number of things. A weak economy and the absence of a sponsor renders Cuba merely an irritant; Myanmar, even with Chinese support, is a human rights disgrace but no juggernaut; and the Iranian regime is rapidly losing its revolutionary impulses after a generation of regime consolidation.

Despite occasional expressions of opposition to U.S. treatment of these regimes, particularly verbally in the United Nations, none of the powers — India, Russia or China — have sufficient interest in them to align with such "rogue states" against the United States. In the end, their interests in entering the global economy are greater than their affinities with disruptive, regional powers determined to pursue narrower self interests. The balance of power will be difficult to operate against a liberal hegemon.

The other relevant traditional theory is that of imperial overstretch commonly associated with Paul Kennedy but long used by the world systems theory school. This theory depicts the international system as one in which great powers rise and aspire to hegemony. The nature of the system is such that this is beyond them, and their resources become over-extended and they decline as a result. Such a trajectory appears to explain some of the history of the Soviet state during its last two decades.

To apply this theory to the United States requires the use of domestic developments. The United States has sufficient economic, technological and military capacity to maintain its hegemonic role. But will its domestic structure support this? In the 1980s, it was common to point to its social problems — crime, unemployment, poverty, racial antagonisms — as being likely, in a kind of Vietnam War rerun, to

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prevent the United States from continuing its global role. In the late 1990s, this argument appears less persuasive. Not only have these indicators declined in most measurable ways, but they did not prevent the mobilization of American resources in the 1980s for the successful geopolitical challenge to the Soviet Union. Great powers often display apparently dysfunctional social conditions. But the indices of their power do not necessarily embrace the well-being of all their citizenry. In any case, the vast majority of Americans continue to enjoy income and consumption levels incomparably higher than those in most other states.

On this analysis, it is extremely unlikely that the United States will be successfully challenged by a coalition of hostile powers in the near future. It is also unlikely that it will suffer a major internal crisis which will prevent it from continuing to exercise its hegemonic and rule-making authority in the international system. This discounting of successful state-based challenges to U.S. authority, however, does not in itself ensure the continuance of U.S. hegemony indefinitely. The difficulty is that the very system that the United States is trying to create is likely to prove unstable.

The Impact of the Kosovo War, 1999

The behaviour of the United States during the second term of the Clinton Administration has been more purposeful and determined as it underpins its often seemingly haphazard foreign policy by a global commitment to liberalism. As has been argued, most states have, with varying degrees of reluctance, acceded to the American grand design. The war over Kosovo in 1999 has served to erode this U.S. dominance.[19]

Serbia has been, during the 1990s, one of the states most resistant to U.S. hegemony and thereby termed by Washington a "rogue state". Its regime is a barely reconstructed old communist dictatorship, it has tried to expand its borders by the use of force, and it has been the subject of United Nations sanctions. In 1998-99, Serbia also used force to put down a secessionist insurrection within its own sovereign territory in the province of Kosovo.[20]

The United States organized an agreement at Rambouillet in early 1999 that suited its purposes, between the Serbian/Yugoslav government and the Kosovo secessionists for Kosovo's limited autonomy to be policed by an international force. The Serbs refused to sign this agreement which was, of course, an intrusion on their sovereign authority. The United States, with British encouragement, persuaded NATO to bomb Serbia into agreement, making it clear at the same time that it would not deploy ground troops in support of its objectives.

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NATO air forces led by the United States then began their months-long efforts to destroy the Serbian/Yugoslav military machine — with extensive collateral damage to civilians, refugees, and the civil infrastructure.

Serbia then began a severe and savage process of ethnic cleansing, which soon made almost all of the million and a half Muslim/Albanian Kosovars either internal or external refugees or shields for the Serbian/Yugoslav armed forces. While the results of this calculated and barbarous policy received world attention and condemnation, it was also recognized by most states as being largely a strategic response to an almost unprecedented attack on a sovereign U.N. member-state in the name of a liberal principle. Soon, of course, the NATO campaign itself was justified in terms of the need to preserve the reputation of the organization for its invincibility. U.S. policy had come full circle since Henry Kissinger in 1970 — U.S. policy had to prevail to show that U.S. policy could prevail. After eleven weeks of bombing, the most powerful air force in the world did indeed induce the Belgrade regime to sue for peace.

The bombing campaign produced a number of dramatic side effects. NATO was converted from a defensive alliance into a military agreement for imposing liberal principles throughout Europe and, by agreement in Washington in April 1999, beyond. U.S. multilateralism did not need to encompass a United Nations which it could no longer control because the Russians or Chinese would veto attempts to intervene in the internal affairs of a sovereign member-state, even if it was only Serbia. The Chinese were mindful of the precedent this might set for its claimed province of Taiwan. The Russians were only contained because of the heightened dependence of Yeltsin on U.S. financial support after the Russian economy all but collapsed after August 1998. In May 1999, yet another bail-out loan was being negotiated with the IMF. Dismay over flagrant U.S. disregard for the principle of sovereignty was attenuated elsewhere in the Third World by its support for an Islamic political movement against a Christian Orthodox/European state.

None the less, the campaign in Serbia/Yugoslavia over Kosovo may well mark the highwater mark of the unipolar moment of U.S. hegemony. In the 1990s the United States has successfully redrawn the political map of Europe, reconfigured the Asian economic miracle, sustained the Russian regime through the collapse of the Russian economy, and rewritten the rules of international political economy through the Washington consensus. In Serbia/Yugoslavia it was, in effect, applying a new definition of state sovereignty. The benign hegemon was on display with the arrogance of power.

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China's ASEAN Policy in the 1990s: Pushing for Regional Multipolarity

JOSEPH Y. S. CHENG

Over the past two decades, Chinese leaders have valued good relations with the ASEAN states. ASEAN is even considered as one of the poles in the multipolar power transfiguration in the Asia-Pacific region. Both China and ASEAN intend to play a more significant role in the Asia-Pacific and beyond. Their pursuits are a non-zero sum game and can be mutually supportive. The Asia-Pacific region needs effective representatives in negotiations with the Western powers and in various international organizations. China and ASEAN, on the basis of close bilateral and regional consultations, can perform that role together. But meanwhile, Chinese leaders still face the arduous task of reducing, if not eliminating altogether, fears of a "China threat" and inducing acceptance of their "new international political and economic order" among the ASEAN states.

Introduction

Chinese leaders often refer to the important place of the Third World in their foreign policy. But in the actual implementation of their foreign policy, the focus has been on the handling of China's relations with the United States, Russia (formerly the Soviet Union), and other major powers. This was already the case in the 1970s, although the trend became more pronounced in their pursuit of diplomatic modernization in the 1980s and in their attempt to accelerate the transition towards multipolarity in the international state system in the 1990s. But ASEAN has been an exception. In the past two decades, despite territorial

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disputes and other differences, Chinese leaders have valued good relations with the ASEAN states. In view of ASEAN's impressive economic development and increasing international influence, an expert of the Chinese Academy of Social Sciences in 1997 described the regional grouping as one of the poles in the multipolar power transfiguration in the Asia-Pacific region.[1]

After the fall of the Gang of Four in 1976, the unmistakable emphasis of the post-Mao leadership on the "Four Modernizations" improved China's image. To the ASEAN states, China was no longer a power dissatisfied with the status quo and intent on exporting revolution, Chinese style. The post-Mao leaders after 1976 drastically reduced their material aid to various national liberation movements and communist guerrilla groups, so that those in the Middle East largely turned to the Soviet Union, and many of those in Southeast Asia split into pro-China, pro-Soviet (or pro-Vietnam), or independent factions. When Malaysian Prime Minister Mahathir Mohamad visited Beijing in November 1985, he indicated that Malaysia had accepted the assurances given by the Chinese leadership that it had no intention to do anything harmful to China's Southeast Asian neighbours, and instead remained concerned about China's stability.[2] On the other hand, Indonesia still had lingering doubts about China's support for communist groups in Southeast Asia; nevertheless, the Chinese Foreign Minister visited Indonesia in 1985, and the two countries resumed direct trade in July of the same year.[3] Admittedly, this improvement in relations had more to do with China's open-door policy, the enhanced attraction of the China market, and economic difficulties in Southeast Asia as a result of falling commodity prices. The ASEAN states were then more interested in managing a balance of power in Southeast Asia; they became self-confident and were, therefore, more inclined to grant China the benefit of the doubt.

With the open admission of the failure of the Maoist development strategy, China could no longer claim to be an attractive model of socio-economic progress offering a successful alternative to the Third World. Since the late 1970s, China's economic development strategy has been similar to that of other developing countries in East and Southeast Asia. It has also been competing with other Third World countries for aid and loans from international organizations such as the World Bank, as well as from Western countries and Japan. After China joined the Multi-Fibre Arrangement and indicated its intention to participate in the General Agreement on Tariffs and Trade (GATT), it too entered into hard bargaining for export quotas from the developed countries in competition with the developing countries, particularly those from East and Southeast Asia. All these actions demonstrated that China was gradually freeing itself from various ideological restrictions and

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trying to compete with other Third World countries within the existing international financial and trade framework. Such competition might have initially aroused jealousy and suspicion from ASEAN and other developing countries, but in the long term, only through this means would China be accepted by them. In some ways, China was probably quite accommodating in supporting the Third World's demands. For example, China was the first country to endorse Sri Lanka's proposal for turning the Indian Ocean into a zone of peace, and the Malaysian proposal for the neutralization of Southeast Asia. Distinguishing itself from the two superpowers, while fully realizing its limited military and economic capabilities, China's support for non-alignment and neutralization served its objectives well. In the field of arms control and disarmament, China's declaration neither to be the first to use nuclear weapons nor to use them against non-nuclear countries won support from the Third World.

The conclusion of a Sino-Japanese peace and friendship treaty in August 1978, the establishment of formal diplomatic relations with the United States in the following December, and the limited war to "punish" Vietnam in early 1979, all enhanced the common interests between China and the ASEAN states. The confidence in China was strengthened by the perception that China had formed a pseudo-alliance with the United States and Japan to check Soviet global expansionism. Meanwhile, trade between China and the ASEAN states increased rapidly so that when Chinese Premier Zhao Ziyang summed up the contents of China's independent foreign policy of peace in 1986, China-ASEAN relations were already on a solid foundation.

In his report to the Fourth Session of the Sixth National People's Congress on 25 March 1986, following the Chinese leadership's usual practice, Premier Zhao provided a detailed account of the ten principles guiding China's foreign policy line which emerged in 1982-83.[4] Besides reaffirming the general principles of defending world peace, opposing hegemonism, observing the Five Principles of Peaceful Co-existence,[5] and supporting the Third World, China also reiterated its position on arms control and disarmament, as well as its open-door policy and support for the United Nations. On China's position of never establishing an alliance or a strategic relationship with any big power, the Chinese Premier stated further that China's relations with various countries would not be determined by their social systems and ideologies, and that China's stand on various international issues would be guided by the criteria of defending world peace, developing friendship and co-operation among various countries, and promoting international prosperity. Premier Zhao also affirmed China's emphasis on various exchanges at the people-to-people level.

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During his visit to Thailand in November 1988, Premier Li Peng further summarized four principles of the China–ASEAN relationship. They were:

- to strictly follow the Five Principles of Peaceful Co-existence in state-to-state relations;
- to uphold the principle of opposing hegemonism under all circumstances;
- to uphold, in economic relations, the principles of equality and mutual benefit as well as joint development; and
- in international affairs, to follow the principles of independence and self-reliance, mutual respect, close co-operation and mutual support.[6]

Such principles were vague and lacked substance, but they represented an effort to establish consensus.

According to Zhao Quansheng, although China's relations with Southeast Asia began to improve from the early 1980s, the Tiananmen incident in June 1989 was a significant turning-point. The sanctions imposed by Western countries as well as the collapse of the Soviet and East European communist regimes forced China into international isolation. Chinese leaders had to adjust their foreign policy, and one of their new initiatives was a more Asia-oriented foreign policy, with Southeast Asia as a major focus.[7]

When Chinese Foreign Minister Qian Qichen visited Africa in August 1989,[8] he noted at a press conference in Harare, Zimbabwe, that of the 137 countries which had established diplomatic relations with China, only about 20 had reacted adversely to the Tiananmen incident. The majority, including African countries, neighbouring Asian countries, Latin American countries, and socialist countries considered it China's internal affair and that other countries should not poke their noses into it.[9] The ASEAN principle of non-interference in another country's domestic affairs was certainly appreciated by the Chinese leadership.

China's diplomatic initiatives in Southeast Asia secured satisfactory results in the two or three years after the Tiananmen incident. In August 1990, China normalized relations with Indonesia, and, as expected, just two months later it established diplomatic relations with Singapore. The normalization of Sino-Vietnamese relations was achieved in 1991, followed by a visit to Vietnam by Premier Li Peng in December 1992 and the commencement of border negotiations between the two countries. After 1992, China also assumed a constructive role in facilitating a peaceful political settlement in Cambodia.[10]

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The Chinese Leadership's World-View

At the memorial service for Deng Xiaoping, Jiang Zemin pledged to act "in accordance with the teaching of Comrade Deng Xiaoping, adhering to the independent foreign policy of peace".[11] Shortly before Deng's death, Jiang had reaffirmed the Dengist foreign policy line of "avoiding the limelight and keeping a low profile", while concentrating on China's own affairs.[12] His statements on Chinese foreign policy immediately after Deng's demise repeatedly emphasized continuity and peace. Such messages obviously had the ASEAN states in mind as important targets. China needs a peaceful international environment to concentrate on economic modernization, and it will try its best to secure such an environment in the foreseeable future. Striving for a peaceful international environment certainly involves establishing friendly relations with neighbouring countries and avoiding conflicts with them. This has probably been China's most important foreign policy objective since 1983, and it achieved results in the 1990s. This policy meant that advancing China's national interests by force or the threat of force would be very costly.

Chinese leaders perceived the early 1990s as a transitional period between bipolarity and multipolarity, and they considered that such a transition would last for a considerable length of time. The United States was the ultimate winner of the Cold War, and it became the only superpower in the world. With the disintegration of the Soviet Union and the dissolution of the Warsaw Pact, the "strategic triangle" could no longer be exploited by China.[13] In the post-Cold War era, however, China has been relieved of the direct military threat from Russia. Both Russia and the United States have a military capability far superior to that of China, but they would not have any motivation to attack China in the foreseeable future.

At the beginning of 1998, the Chinese leadership appeared to be more encouraged by the trend towards multipolarity. At a tea party on the eve of the Chinese New Year, Premier Li Peng, in analysing the world situation, stated: "At present, the multipolar global power transfiguration has become increasingly obvious."[14] In his visit to the Netherlands in the following month, Li also stated that in the approach towards the next century, the trend towards a multipolar world was accelerating.[15] Chinese leaders obviously believed that their efforts to facilitate the emergence and consolidation of global multipolarity were achieving results. In the joint communiqué released during the visit of Russian President Boris Yeltsin to China in April 1996, the two countries announced "their resolve to develop a strategic partnership of equality... towards the 21st century".[16] The following April, President Jiang Zemin visited Moscow, and a joint declaration

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on global multipolarization and the establishment of a new world order was issued.[17] In May 1997, when French President Jacques Chirac visited China, the two sides issued a joint declaration stating that they shared an "identity of views" on the need for the establishment of a "comprehensive partnership". The objectives of this "comprehensive partnership" are clearly spelled out in the introduction of the joint declaration: "The two parties have decided to foster the march towards multipolarity ... to contribute to a new political and economic international order that is both just and rational and opposes any attempt at domination in international affairs."[18]

In contrast to the 1970s and the early 1980s, Chinese leaders have not advocated a broad united front against the United States. And, they have not identified the principal contradiction in current international relations. The Chinese leadership's world-view considers that Washington's strategic focus will remain on Europe and its flank, the Middle East. Though the United States emerged as the sole remaining superpower after the Gulf War, it will not have the resources to play a more significant role in the Asia-Pacific region. It will also be handicapped by domestic problems which will generate demands to reduce resources for its foreign policy. Chinese leaders also believe that the end of the Cold War will enhance instability and facilitate the re-emergence of various territorial disputes, ethnic contradictions, and religious conflicts. Some of these troubles will have an adverse impact on China too, such as the demonstration effect of the rise of ethnic-nationalism and Muslim fundamentalism in the newly-independent Central Asian Republics on the national minorities in Xinjiang and Inner Mongolia.

The Chinese leadership is convinced that a fundamental factor for the termination of bipolarity was the backwardness of the Soviet economy and its scientific and technological developments. The multipolar world is still in its early stages, and the emergence of a new balance of power would ultimately depend on the competition in "comprehensive national power", the main components of which are economic and technological power. China would need to concentrate on the intermediate and long-term competition in building "comprehensive national power", otherwise it will fall behind in this competition.

In the mid-1990s, China's official media often attacked the United States for trying to block China's economic development. A *Renmin Ribao* commentary, for example, stated: "The U.S. will not allow the emergence of a great country on the European or Asian continent that threatens its power to dominate."[19] Chinese leaders appreciate that China's neighbours are concerned that its rapid economic growth might be translated into an expansion of military strength. China's

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flexing of its muscles in the South China Sea in early 1995 was a case in point. Chinese leaders fear that such a perception of a China threat would offer support to the renewal of a strategy to "contain" China. The deterioration of Sino-American relations in 1995-96 and the establishment of formal diplomatic relations between the United States and Vietnam also generated speculation of a possible "containment" strategy against China initiated by the United States and supported by Japan, ASEAN, and Vietnam.

Jiefangjun Bao (*Liberation Army Daily*), for example, accused the proponents of the "China threat theory" of aiming to sow discord between China and its Asian neighbours in view of Washington's waning influence in the region. It was said that countries against China wanted a bigger share of the Asian arms trade, and they also called for the containment of China.[20] Nevertheless, Chinese leaders are still eager to cultivate cordial relations with the Western countries, and especially the United States. This is why Premier Li Peng considered the Sino-American summit the most important event in China's foreign relations in 1997, and he acknowledged that Jiang Zemin's successful visit marked the termination of the Western countries' unjust sanctions against China.[21] At the end of 1998, China also rejected the Russian proposal to establish a "strategic triangle" of Russia, China, and India to contain American influence in global affairs.[22]

The Chinese leadership obviously prefers a multipolar world in which the major powers can develop friendly ties with each other and in which non-zero-sum games are the norm. Power blocs and security alliances tend to exacerbate tension and eventually limit the options of the major powers involved. Diversified sources of capital, technology, and management know-how, as well as a broad spectrum of partners for economic co-operation, also constitute part of the Chinese leaders' preferred scenario.

China's strategic partnerships provide the standard mode of behaviour governing relations among the major powers in a multipolar world. While adhering to an independent foreign policy line and emphasizing the Five Principles of Peaceful Co-existence, the concept of strategic partnership reflects the importance attached to relations with major powers on the part of the Chinese leadership. In contrast to the Five Principles of Peaceful Co-existence, strategic partnerships imply that China looks upon itself as a major power and pursues the legitimate interests of one in a multipolar world.

Chinese leaders also do not want China to assume leadership of the Third World. In a talk with leading members of the Party Central Committee in late 1990, Deng Xiaoping stated: "Some developing countries would like China to become the leader of the Third World.

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But we absolutely cannot do that, this is one of our basic state policies. We can't afford to do it and besides, we aren't strong enough. There is nothing to be gained by playing that role; we would only lose most of our initiative."[23] In reality, Chinese leaders understand that any active attempt by China to seek a leadership role of the Third World will probably be counter-productive.

In the next century, China will continue to need a peaceful international environment to catch up with the developed countries. In view of the recent Asian economic crisis, the Chinese leadership now places considerable emphasis on China's "economic security". It is believed that because of the keen competition for markets and resources in the context of globalization as well as the enhancement of regionalism, the economic development of an individual country will be more vulnerable to the influence of external factors. Hence, the strengthening of co-ordination among governments concerned will become all the more essential. This implies that Chinese leaders will attempt to further develop China's dialogue and multilateral co-operation with the major powers and Asian neighbours.[24]

The Significance of ASEAN in Chinese Foreign Policy

The Chinese leadership hopes that the emergence of regional powers and regional organizations in the developing world will help to bring about a multipolarity different from the traditional one dominated by a small number of major powers. It is envisaged that this new type of multipolarity will better preserve peace and democratize international relations, thus contributing to the establishment of a new international political and economic order. In this context, the Latin American countries' boycott of U.S. sanctions against Cuba, ASEAN's admission of Myanmar against the objections of the West, and the Arab countries' opposition to U.S. military action against Iraq, are some international issues that are seen as enhancing the evolution towards multipolarity. Jiang Zemin, in a speech in Pakistan on 2 December 1996, stated: "The trend towards multipolarity, with the widespread emergence of the developing countries as its important characteristics, is like a torrential river which cannot be blocked."[25]

Chinese leaders appreciate that the evolution towards multipolarity cannot mainly depend on the rise of developing countries. A balance of power among several major powers in the world today is still the decisive factor facilitating multipolarity through a structure of mutual dependence and mutual checks and balances. Above all else, the United States remains the only superpower globally, and Chinese attempts to accelerate and shape the evolution towards multipolarity will make very limited impact.

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The series of summits at the end of 1997 among China, the United States, Japan and Russia symbolized the dialogue and co-operation among major powers in a multipolar world. They also demonstrated the potential for achievement as well as the fluidity of the relationships. The latter demands constant effort to reduce tension and enhance trust; and economic interdependence probably remains the most significant incentive for bilateral and multilateral co-operation. But in the long term, the rise of the developing countries *vis-á-vis* the developed countries constitutes an important guarantee of a healthy multipolarity.[26]

In his report delivered at the Fifteenth National Congress of the Chinese Communist Party, Jiang Zemin observed: "The trend toward multipolarity has further developed globally or regionally in the political, economic and other fields ... Regional and intercontinental organizations of co-operation are active as never before. The overall strength of the greater number of developing countries is growing."[27] ASEAN certainly fits into the above analysis, which should be seen as the preferred scenario by Chinese leaders.

In economic terms, the gross domestic product (GDP) of the nine members of ASEAN (Cambodia is excluded as it is a most recent member) amounted to US$1,600 billion in 1995 on a purchasing power parity basis, or about 60 per cent of that of Japan (US$2,660 billion).[28] In terms of foreign trade, that of the ASEAN members totalled US$636.6 billion in 1995, about ten times that of India, and 82 per cent of that of Japan (US$779 billion).[29] ASEAN ranked fourth in the world, only after the United States, Germany, and Japan. Following the trend of economic regionalism, ASEAN has been accelerating the establishment of an ASEAN Free Trade Area (AFTA). In August 1995, the annual ASEAN ministerial meeting agreed to bring forward the grouping's target date for the implementation of AFTA from fifteen years to ten years ending in 2003. (The Hanoi Summit in December 1998 brought this forward to 2002.) In April 1999, Cambodia became the tenth member of ASEAN. The ASEAN countries have obviously suffered from recent economic difficulties, which has exacerbated the problems generated by ASEAN's expansion. At the Hanoi Summit, the final declaration called for closer unity, dialogue and co-operation, but steered clear of calls for a new era of vigour and openness demanded by Thailand and the Philippines.[30] Chinese leaders, however, believe that the setbacks are temporary and they will not affect the long-term trend.

The launching of the ASEAN Regional Forum (ARF) in Bangkok in 1994 won China's firm support. It was conceived as a new security framework for Asia and the Pacific in the post-Cold War era. Initially, Chinese leaders had some concerns that the West might try to use the ARF to "contain" China. In an inter-sessional meeting in May 1995

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in Brunei, the Chinese side opposed an Australian proposal that the ARF should become more active in resolving conflicts and establish formal working groups. A compromise was eventually reached to form a support group on confidence-building measures and to hold meetings on regional co-operation.[31]

At the same meeting, ASEAN officials presented a "concept paper" on broad outlines for the ARF, which was presented to the foreign ministers the following August. The ARF meetings would have no formal agenda and would approach sensitive security issues in a non-confrontational manner, following ASEAN's well-established style of decision-making by consensus. The paper also suggested a gradual three-stage process beginning with confidence-building measures, moving to preventive diplomacy, and finally to conflict resolution.[32] In 1997, the ARF agreed to move towards preventive diplomacy.[33] The agreement was based on the earlier ARF recognition that "preventive diplomacy would be a natural follow-up to confidence-building measures"; and this was interpreted as the intention of the institution to move beyond the "talk shop" that some critics had labelled it.[34]

Apparently the Chinese leadership is pleased with the balance of power strategy on the part of ASEAN. The latter attempts to maintain a balanced relationship with the United States, Japan, and China; at the same time, it avoids neglecting Russia and India. This ASEAN strategy helps to prevent any major power, including the United States, from dominating the Asia-Pacific region. This is in line with China's strategic interests since China does not have the capability and therefore the intention to become the predominant power in regional affairs. Hence, China welcomes ASEAN's balance of power strategy and supports the regional organization in playing an active role in the Asia-Pacific region. Guided by ASEAN, the ARF has been developing successfully and today has twenty-one members involving all the major powers of the world.[35] ASEAN organizes unofficial summits with China, Japan, and South Korea; and also carries substantial weight within APEC. ASEAN's unity and initiative will be an important factor determining whether or not APEC can overcome its difficulties as revealed at its Kuala Lumpur summit in November 1998.[36]

Similarly, China appreciates ASEAN's important role in initiating the Asia-Europe Meeting (ASEM), first held in Bangkok in March 1996. This is a dialogue between the European Union and the countries of East and Southeast Asia. Singapore, its main initiator, and Thailand, the first host of the meeting, are both ASEAN members. The fundamental idea behind ASEM is also a central concept of ASEAN: mutual interdependence.[37] In paving the way for ASEM, both the European Union and the ASEAN governments shared a common view of a tripolar

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world order based on the United States, Europe, and the Asia-Pacific region. They recognized that the ties between Europe and the Asia-Pacific region were the weakest in this triangular relationship, and hope that ASEM would remedy the situation.

The political process of ASEM subsequent to the Bangkok summit has been to adopt the Track-2 process, which is the practice of the ARF. This means that while the first track consists of conventional diplomatic discussions at the inter-governmental level, the second track promotes interaction among non-governmental organizations, academic institutions, and business groups from the two regions. China, in particular, needs to develop its Track-2 interactions with other countries.

In sum, Chinese leaders perceive China and the ASEAN states as developing countries in Asia; they have a considerable sense of common identity; and they hold similar views on values, human rights, democracy, and many issues in international affairs. Hence, they should be able to co-operate, offer each other support, and jointly oppose hegemonism and power politics. Chinese leaders do not believe that ASEAN will become part of an alliance aimed at "containing" China. Instead, ASEAN's active diplomatic profile is seen as facilitating progress towards multipolarity in the Asia-Pacific region, and contributing to regional stability. Moreover, ASEAN is perceived as acting as a balance among the United States, Japan, and China and as a stabilizing force in this triangular relationship. ASEAN will also help to deter the hegemonism of Western powers in the region, thereby reducing the latter's pressure on China and improving the diplomatic environment for it.[38]

In August 1997, for example, Singapore Prime Minister Goh Chok Tong urged his Japanese counterpart, Ryutaro Hashimoto, to soften Japan's stance towards China in the dispute over Tokyo's intention to play a more active military role in the Asia-Pacific region. During his visit to Japan, Goh told Hashimoto that Japan should pursue a policy of "constructive engagement", rather than that of "containment" in dealing with China. In a separate meeting with members of Hashimoto's Cabinet, Goh warned that Japan's plan to support U.S. forces in regional conflicts could have "grave consequences" for Sino-Japanese relations if Tokyo refused to exclude Taiwan from areas which might require Japan to provide logistical and other non-combatant support for U.S. forces.[39] The ASEAN states are concerned with the expansion of Japanese influence in Southeast Asia, and they realize that their solidarity is the best guarantee against undue influence in the region from Japan and other major powers.[40] A survey of five Southeast Asian countries by the Japanese foreign ministry in the period October 1996 to January 1997 indicated that, as against an earlier survey,

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more people in Thailand, Malaysia, and Singapore feared that Japan would become a major military power. The percentage of Thai respondents holding such a view increased from 24 per cent in 1992 to 34 per cent, while the proportion in Malaysia rose from 35 per cent to 38 per cent, and that in Singapore rose from 34 per cent to 36 per cent. On the other hand, the percentage of Indonesian respondents concerned with Japan's military buildup fell from 23 per cent to 14 per cent, and that in the Philippines declined from 32 per cent to 21 per cent.[41]

In this context, Chinese leaders accepted the admission of Vietnam into ASEAN in 1995 and did not see it as damaging China's security interests. Likewise, Chinese leaders did not consider the inclusion of Myanmar and Laos into ASEAN as an attempt to reduce Chinese influence in these two countries. Beijing has full confidence that the military junta in Myanmar will not weaken its ties with China, ties which have remained steadfast ever since the junta's severe measures on the domestic opposition in 1988.[42] Beijing reacted calmly to the coup in Phnom Penh in July 1997 in which Hun Sen ousted Prince Norodom Ranariddh. ASEAN officials revealed that they were told by the Chinese Government that it would support ASEAN's action to mediate in the conflict and to restore order.[43] It appeared that the Chinese Government endorsed ASEAN's mediating role to prevent the United States from intervening in the Cambodian situation. ASEAN officials considered that the Chinese position on the coup represented an important change in its policy towards Southeast Asia. While China is eager to achieve major power status, it has refrained from direct intervention in the region, and has preferred to allow the countries in the region to solve their own problems. The positions of China and ASEAN have apparently had an impact on the Clinton Administration. It eventually softened its stand on Hun Sen, and tried to co-operate with ASEAN and China to avoid being isolated. U.S. Secretary of State Madeleine Albright even praised China for its "very positive role" on the Cambodian question.[44]

On human rights issues, Chinese leaders are much encouraged by their common stand with their ASEAN counterparts. In the ASEAN post-ministerial conference with Dialogue Partners in July 1997, the differences between ASEAN member countries and the West were considerable. The Malaysian representative urged for a review of the United Nations Declaration on Human Rights, and was firmly supported by Indonesia, the Philippines, and China. The United States and the European Union naturally opposed the review. There is a view emerging among Western diplomats, especially the Americans, that there are now two ASEANs: one made up of democratic or authoritarian

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countries, and the other consisting of countries with totalitarian backgrounds or characteristics.[45] ASEAN's objection to the European Union's boycott of Myanmar's participation at ASEM similarly widened the gap between the two groups on the human rights question. Regarding the Western countries' attempt to censure China's human rights record at the United Nations Human Rights Commission, Japan was the only Asian country which voted against China's no-action motion in the last encounter in April 1997. Two Asian countries, namely, South Korea and the Philippines, abstained, while the other nine Asian countries (Bangladesh, Bhutan, China, India, Indonesia, Malaysia, Nepal, Pakistan and Sri Lanka) all supported China's motion.[46]

While the Chinese leadership believes that ASEAN will not be involved in "containing" China, there are none the less developments which worry it. Singapore apparently sees a need to strongly encourage continued U.S. involvement in Southeast Asia as a protection against any political unrest spilling over from its neighbours. In January 1998, it announced that it would give American aircraft carriers and other warships access to its new Changi naval base to be completed in the year 2000.[47] This is an obvious violation of the ASEAN commitment to turn Southeast Asia into a "zone of peace, freedom and neutrality", and Malaysia is dissatisfied with the Singapore move. Malaysian Prime Minister Mahathir Mohamad indicated that Malaysia did not want an increased American military presence because it would cause anxiety throughout the region. Yet, the United States and the Philippines had also earlier completed negotiations on a legal framework for resuming military ties (a Visiting Forces Agreement), which has since (in May 1999) been ratified by the Philippine Senate.[48]

Before Indonesian President Soeharto's resignation in May 1998, the Clinton Administration had seemed interested in establishing some kind of strategic partnership with Indonesia. At the APEC summit in Vancouver at the end of 1997, it was reported that Clinton had planned an "extremely important" meeting with Soeharto. The speculation was that the two leaders wanted to discuss the possibility of bilateral military co-operation.[49] During the peak of the financial crisis in Southeast Asia in January 1998, U.S. Defence Secretary William Cohen was in Kuala Lumpur stating that Southeast Asian countries had to strengthen their military ties with the United States and support the 100,000 U.S. troops forward-deployed in Asia to maintain regional security. Cohen stressed in a speech that U.S. troops would need logistical support in Southeast Asia, military exercises/military training opportunities, and access to port facilities. American officials also indicated that in view of the cutbacks in military expenditure and the postponing of weapon acquisitions by Southeast Asian countries,

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Washington would desire increases in American naval visits to Southeast Asia, and joint military exercises to enhance the United States' military profile in the region.[50] The Clinton Administration is ready to initiate various types of exchanges and offer financial assistance to acquire the facilities/services needed by the U.S. military.[51]

The regional financial turmoil has also strengthened U.S. economic interests in the region, and the United States has emerged as the indispensable guarantor of regional political and economic stability. When there was reluctance to accept the restructuring and austerity measures dictated by the International Monetary Fund, the United States backed the latter to ensure that its prescribed programmes would be carried out. Many in Southeast Asia felt that American banks and businesses would profit from the opening up of their economies.

China's Territorial Disputes with ASEAN States[52]

Both China and the concerned ASEAN states do not expect that their territorial disputes over the Spratly Islands can be resolved in the foreseeable future. However, they believe that they share a common interest in maintaining a peaceful and stable environment in the region so that they can all concentrate on economic development. China has been modernizing its military in recent years, but not to the extent of causing significant alarm among its neighbours. In fact, the ASEAN states themselves have at the same time been engaging in high-technology military expansion programmes, at least until the regional economic crisis set-in in 1997-98.[53] They did not necessarily have the China threat in mind, as some of the countries which had been spending most, that is, Singapore and Thailand, felt much less threatened by China, compared with some other ASEAN member states. It seemed that their arms modernization programmes were more related to the availability of money and the need to better protect their borders and trade.

How Chinese leaders quickly attempted to defuse the Mischief Reef incident in early 1995 (when the Philippines accused China of occupying and building possible naval structures on Mischief Reef in the Spratly Islands claimed by Manila) well illustrates the importance attached by China to having good relations with ASEAN. In March 1996, China and the Philippines held their first annual vice-ministerial talks to resolve problems caused by the conflicting claims to the Spratlys. The negotiations led to an agreement to step up efforts to avoid maritime conflicts in the South China Sea and to promote high-level visits between the two countries. The two sides also pledged to establish "a bilateral consultative mechanism" to explore ways of co-operation in the South China Sea.[54]

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This was followed two months later by the visit of a Chinese People's Liberation Army (PLA) delegation led by a deputy chief of general staff, Lieutenant-General Xiong Guangkai. The two parties were said to have briefed each other on the organizational structures of each other's armed forces.[55] The Chinese side also indicated that it had ordered PLA warships to steer clear of that part of the Spratly Islands claimed by the Philippines so as to avoid any untoward incident.[56] These were obviously military confidence-building measures, and such visits will become routine and will cover all the ASEAN states. Xiong's visit also included Malaysia, Indonesia, and New Zealand. Apparently, the ASEAN states do not consider China as having fulfilled its pledges; and strict implementation of such confidence-building measures is essential to strengthen mutual trust.

Sino-ASEAN discussions on the Spratlys in fact took place earlier in Hangzhou, in March 1995 immediately after the Mischief Reef incident. At the ARF meeting in early August 1995 in Brunei, the Chinese Government indicated for the first time that it would abide by international law in sovereignty negotiations with the claimants to the Spratlys. This was a significant concession on the part of Beijing which had hitherto simply insisted that the Spratlys were Chinese territory.[57]

In the bilateral negotiations between China and the Philippines in the wake of the forum, the two sides agreed to resolve their territorial conflict using international law, including, but not limited to, the United Nations Convention on the Law of the Sea (UNCLOS). The joint statement released also pledged to settle the territorial dispute "without prejudice to the freedom of navigation in the South China Sea".[58] China and the Philippines announced that they would work out a code of conduct rejecting the use of force to settle their claims over the Spratlys.[59] China proposed joint oil and gas exploration in the archipelago too, but the Philippines was not enthusiastic. The agreements reached were obviously meant to apply on a regional basis. On many occasions, the Chinese authorities had appealed to the other claimants to the Spratlys to shelve the territorial dispute and to discuss joint development of the archipelago's resource potential.[60]

The Philippines, however, indicated that it would seek international support on the Spratlys issue "should China continue to build up its presence there".[61] The Philippines has a defence treaty with the United States, but the latter does not consider areas of the Spratlys claimed by the Philippines as covered by the treaty, and has called for a peaceful resolution of the territorial dispute.[62] But U.S. Navy commandos (SEALs) have been involved in training Filipino troops stationed near the Spratlys. Similarly, reports of joint naval exercises between the

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United States and the Philippines, as well as Filipino interest in buying a number of F-16 fighter aircraft which had originally been meant for delivery to Pakistan, were disturbing to the Chinese leaders and could lead to friction in Sino-American relations.[63] The Chinese representatives at the ARF meeting in Brunei failed to secure an assurance from the United States that it would stop "meddling" in the Spratlys dispute.[64]

Further progress was achieved in 1997. In the annual consultations between Chinese senior officials and their ASEAN counterparts in April in Huangshan, Anhui Province, both sides discussed the Spratlys as a formal agenda item for the first time since the consultations started in 1995. An ASEAN official observed that while there was no change in the basic positions of both sides, the atmosphere had changed. Referring to the implementation of the Law of the Sea, the official stated: "The tone and the mood have improved. What we need to do now is to mobilize the political will to make real progress and the technical side will follow."[65]

In the informal summit between ASEAN and China, South Korea, and Japan in December 1997, a joint statement between China and ASEAN was released in which all parties pledged "to resolve differences or disputes through peaceful means without resorting to the threat or use of force" in the handling of the sovereignty issues concerning the archipelagoes in the South China Sea. The parties also agreed that while trying to resolve the conflicting claims, they should exercise self-restraint, and not allow the differences to block friendly cooperation.[66] Earlier in August, Malaysian Prime Minister Mahathir Mohamad had indicated in an interview to mark the thirtieth anniversary of ASEAN that he did not foresee an open conflict erupting over the Spratlys.[67] While the disputes remain unresolved, these statements demonstrated an improvement in the atmosphere.

China's territorial disputes with ASEAN have been further complicated by Vietnam's entry into ASEAN in 1995. Vietnam has naturally wanted to enlist ASEAN's support to exert pressure on China. While the Spratlys dispute involves China, Taiwan, Malaysia, Brunei, the Philippines and Vietnam, the Vietnamese also have land border differences with the Chinese as well as competing sovereignty claims over the continental shelf in the Gulf of Tonkin and the Paracels. China and Vietnam normalized their relations in November 1991, and in October 1992 agreed to hold talks on the land border and other territorial disputes.[68]

In November 1995, the Secretary-General of the Communist Party of Vietnam, Do Muoi, arrived in China for a summit meeting, accompanied by the Vietnamese Foreign Minister, Nguyen Manh Cam. In the Sino-Vietnamese joint communiqué which was released, both

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sides agreed to "properly" resolve the "issue of territory along the borders" on the basis of international law and practices, and through negotiations. It was also announced that the two sides had reached agreement "in principle" on railway transportation linking the two countries.[69] Nguyen Manh Cam also indicated that the two governments had agreed that in order to create favourable conditions to resolve the land border issue and achieve the signing of a treaty "as soon as possible", all conflicts in the "border areas" should be ironed out quickly and on the spot.[70] As a result, railway traffic between the two countries was officially resumed on 14 February 1996.[71] In September 1998, a Vietnamese official indicated that the Sino-Vietnamese land border problems would reach resolution before 2000, while the demarcation of the Gulf of Tonkin would probably be finalized during 2000. Annual border talks would continue in Beijing in 1999.[72] This was confirmed in the following month during Vietnamese Premier Phan Van Khai's visit to Beijing.[73]

According to Ramses Amer, Sino-Vietnamese relations since the normalization of ties in late 1991 have been characterized by the expansion and strengthening of economic and political co-operation as well as a fluctuating level of tension related to the territorial disputes.[74] For example, in January 1998, the Vietnamese official media reported territorial disputes with China along a boundary river during the previous months.[75] Earlier, in November 1997, Hanoi had protested to Beijing after the latter had granted a U.S. oil firm, Atlantic Richfield, exploration rights in waters Hanoi had claimed as its exclusive economic zone (EEZ).[76] In September 1998, it was Beijing's turn to accuse Vietnamese soldiers of illegally seizing Chinese territory in the Spratlys and it demanded their immediate withdrawal.[77] It is likely that these minor incidents will continue to recur, but at the same time, both countries will try to avoid any major escalation of conflict. Under such circumstances, China and Vietnam should soon reach an agreement on a "code of conduct", possibly along the lines of the two "codes of conduct" agreed to by the Philippines and China, and the Philippines and Vietnam respectively, in 1995.

A similar situation exists between China and the Philippines over the Spratlys. In May 1997, the Philippines welcomed the removal of a hut and the withdrawal of armed Chinese ships from near islands in the South China Sea claimed by it, after it had lodged a protest.[78] In July 1997, the Chinese Government in turn condemned the Philippine navy for destroying Chinese markers on a shoal in the disputed Spratly Islands as a "serious violation of Chinese sovereignty".[79] At the same time, however, the two countries began exchanging information on marine technology as part of their efforts to ease tensions in the

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archipelago.[80] In November 1998, another row emerged over Mischief Reef when the Philippines protested against Chinese naval ships and other vessels sailing in the vicinity of the reef, as well as China's strengthening of the structures on the reef. The Philippine Government is suspicious of China adopting a "talk and take" attitude.[81]

Economic Co-operation Between China and ASEAN, and the Taiwan Issue

Table 1 provides trade figures between China and ASEAN in the past few years. Trade has been expanding steadily, increasing from US$14.29 billion in 1994 to US$25.04 billion in 1997. Despite the rapid increase in China's foreign trade during this period, ASEAN's share of China's trade rose from 6.04 per cent in 1994 to 7.70 per cent in 1997. ASEAN also became an important source of foreign investment for China, rising from US$1.21 billion in 1993 to US$3.62 billion in 1997. The rate of increase was indeed impressive, but the major part of the investments (77.5 per cent) came from just one country — Singapore. It is generally believed that actual ASEAN investments in China are considerably higher than those reflected by the official statistics as some investments from the region, especially those from the "overseas Chinese", have found their way into China via Hong Kong and other places, and have thus escaped notice. In view of the economic difficulties in the region during 1997-98, the flow of investments into China from ASEAN will decline, albeit temporarily.

Compared with China, Japan enjoys even closer economic relations with ASEAN. During the past decade or so, Japan has been planning to move in the direction of establishing an integrated system of production of small lots of diverse products to replace the mass production system so that it can meet more sophisticated consumer demand and improve its domestic research and development functions.[82] The East Asian NIEs (newly industrializing economies) are concentrating on the production of advanced components which the other ASEAN countries still cannot make. They are already competing with Japan in the application and industrialization of advanced technology, and yet they still have to depend on Japan. A pattern for future competition and interdependency among Japan, the East Asian NIEs, and the ASEAN states is emerging,[83] and Japan certainly does not want to see its regional role diminish. At the ASEAN Summit in Hanoi in December 1998, Japanese Prime Minister Keizo Obuchi offered an extra US$5 billion to help ease the regional financial crisis, on top of a US$30 billion package already pledged by Kiichi Miyazawa.[84]

How will China fit into this pattern? Countries in the Asia-Pacific

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TABLE 1
China's Trade with ASEAN Countries, 1994-97
(In US$10,000)

Country	1994			1995			1996			1997		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
Brunei	1,626	–	1,626	3,448	3	3,451	3,886	2	3,888	3,331	–	3,331
Myanmar	36,911	14,328	51,239	61,782	14,953	76,735	52,112	13,741	65,853	57,009	7,341	64,350
Indonesia	105,170	158,837	264,007	143,815	205,217	349,032	142,802	228,042	370,844	184,061	267,358	451,419
Laos	3,598	438	4,036	4,777	645	5,422	2,668	816	3,484	2,293	582	2,875
Malaysia	111,766	162,266	274,032	128,099	207,060	335,159	137,065	224,348	361,413	191,993	249,538	441,531
Philippines	47,569	27,240	74,809	103,014	27,577	130,591	101,494	37,236	138,730	133,911	32,707	166,618
Singapore	255,842	248,202	504,044	350,064	339,783	689,847	374,940	360,111	735,051	431,905	446,451	878,356
Thailand	115,928	86,439	202,367	175,175	161,077	336,252	125,495	189,029	314,524	150,030	201,446	351,476
Vietnam	34,166	19,116	53,282	72,029	33,206	105,235	84,215	30,848	115,063	107,854	35,710	143,546
ASEAN *	712,576	716,866	1,429,442	1,042,203	989,521	2,031,724	1,024,677	1,084,173	2,108,850	1,262,387	1,241,133	2,503,502
ASEAN as a % of China's Total	5.89	6.20	6.04	7.01	7.49	7.23	6.78	7.81	7.27	6.91	8.72	7.70

* Vietnam joined ASEAN in 1995, and Myanmar and Laos in 1997.

SOURCE: State Statistical Bureau, comp., *China Statistical Yearbook* (Beijing: China Statistical Publishing House, 1995-98), 1995-1998 issues.

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region all agree that the smooth incorporation of the potential and energy of the Chinese economy is essential to the development of the region. Given the size of China and the differences among various Chinese provinces and municipalities, some such as Guangdong and Shanghai will soon join the ranks of the NIEs while some will remain at the level of the ASEAN states. There appears to be no magic formula, and market forces will decide the issue. What the governments should do is to strengthen bilateral and multilateral consultations so that the interests of all concerned parties will be taken into account in the respective national development strategies. The latter, through such processes, will have a better chance of success.

TABLE 2
ASEAN'S Investments in China (on an actually used basis), 1993-97
(In US$10,000)

Country	1993	1994	1995	1996	1997
Myanmar	664	289	–	58	268
Indonesia	6,575	11,570	11,163	9,354	7,998
Laos	–	–	–	15	39
Malaysia	9,142	20,099	25,900	45,995	38,183
Philippines	12,250	14,040	10,578	5,551	15,563
Singapore	67,480	117,961	186,061	224,716	280,696
Thailand	23,437	23,487	28,824	32,818	19,400
Vietnam	1,161	1,849	2,830	145	154
ASEAN*	120,709	189,295	265,356	318,652	362,301
ASEAN as a % of China's Total	3.10	4.38	5.51	5.81	5.63

*Vietnam joined ASEAN in 1995, and Myanmar and Laos in 1997. Statistics on Brunei and Laos (1993-95) are not available.
SOURCE: State Statistical Bureau, comp., *China Statistical Yearbook* (Beijing: China Statistical Publishing House, 1995-98), 1995-1998 issues.

In the economic interactions between China and ASEAN, the overseas Chinese networks have played a very significant role. According to the Kuomintang government on Taiwan, at the end of 1997 there were some 33.24 million overseas Chinese, with 81 per cent of them in Asia, and 14.2 per cent in the Americas.[85] Most of the overseas Chinese came from the coastal provinces; and the majority of them, originating from Guangdong and Fujian, are now mainly in Southeast Asia, where they have significant economic influence. One estimate in 1997 indicated that the assets of the overseas Chinese amounted to US$200 billion, with over 90 per cent in Southeast Asia (before the Asian crisis).[86] Another study in 1995 revealed that there were over twenty overseas Chinese business groups in Singapore, each

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with capital exceeding US$100 million, about forty overseas Chinese business groups in Malaysia, each with capital over US$200 million, and more than ten such business groups in the Philippines, each with capital exceeding US$100 million. Overseas Chinese business groups are similarly very strong in Indonesia and Thailand.[87] Fujitsu Research in Tokyo studied listed companies in six Asian countries. It discovered that an overwhelming majority was owned by overseas Chinese: 81 per cent in Thailand, 81 per cent in Singapore, 73 per cent in Indonesia, 61 per cent in Malaysia, and 50 per cent in the Philippines. According to Bustanil Ariffin, a former Indonesian minister, small and medium-sized companies employed half of the labour force in most Asian countries, and that the Chinese owned 90 per cent of these companies.[88]

The recent economic crisis in Southeast Asia, however, may well have altered the situation. In May 1998, Indonesians of Chinese descent became major targets of attack in anti-government riots. That episode will likely encourage the ethnic Chinese communities in ASEAN to diversify their investments and move their assets to other countries, including China. At the same time, the credit crunch and the regional currency crisis have made the ASEAN governments highly sensitive to capital outflows. Attempts by the Chinese authorities to attract overseas Chinese investments are bound to create friction with the ASEAN governments in the foreseeable future. Naturally, Chinese officials also anticipate a decline in investments from ASEAN.

The Chinese Government maintained a very low profile during the riots in Indonesia in 1998. It was aware that it could offer little help to the ethnic Chinese who were targets during those riots. Strong protests would be counter-productive as they might further arouse local feelings against the ethnic Chinese and exacerbate the ASEAN governments' suspicions of ties between the Chinese authorities and ethnic Chinese communities in Southeast Asia. Chinese leaders later took up the issue mainly in response to demands from the overseas Chinese community.

China's self-restraint and its financial support for ASEAN in the latter's economic crisis have enhanced mutual trust between them. China's relative economic health has also won considerable admiration in ASEAN. As the largest borrower from the World Bank, China will receive no further funds from the International Development Association, the soft-loan arm of the World Bank, after mid-1999.[89] In August 1997, China offered US$1 billion to help Thailand to overcome its financial crisis. Similarly, it provided assistance to Indonesia. In December 1997, at the summit between ASEAN, China, Japan and South Korea in Kuala Lumpur, President Jiang Zemin pledged US$4-6 billion for the International Monetary Fund's programme to

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support Southeast Asia, and to take part in other assistance programmes.[90] Chinese leaders also promised not to devalue the renminbi so as to avoid another round of competitive devaluations among Asian currencies. Chinese leaders considered this an important contribution to stabilize the financial markets in Asia and a sacrifice on China's part, a view shared within ASEAN circles.[91] The U.S. Government was also concerned with China holding U.S. government bonds. In July 1997, Beijing owned US$12 billion of U.S. government bonds, second only to Japan. If it decided to sell US$10 billion of these bonds, it would raise interest rates in the United States by 1 per cent, and make a significant impact on international financial markets.[92] In contrast to China's efforts, Japan has been criticized for not doing enough to help rescue Southeast Asia from the regional economic crisis.[93]

China carefully exploited the contradictions between the United States and ASEAN in the 1997-98 crisis. For example, a *Renmin Ribao* article in January 1998 criticized the United States for forcing East Asia into submission through the offer of its assistance, and that it was promoting its economic and political model while easing East Asia's threat to the U.S. economy. *Renmin Ribao* also attacked the United States for stressing the authority of the International Monetary Fund during the crisis to further its own strategic interests.[94] Many political and business leaders in ASEAN support such a view.

In response to the Chinese authorities' united front offensive to attract investment from Taiwan, the Taipei government officially initiated the "go South" policy in 1994, encouraging and facilitating Taiwan's business community to invest in Southeast Asia. By June 1995, Taiwan's contracted cumulative investment in the ASEAN states and Vietnam had reached US$25 billion, of which US$21.6 billion had been committed since 1988.[95] Such a sizeable investment obviously gives Taipei considerable clout.

In 1998, Taipei intended to make good use of the economic crisis in Southeast Asia to step up its diplomatic profile there. Investments from Taiwan became even more attractive in such a difficult time. Taiwan Vice-President Lien Chan made a private visit to Malaysia in March 1998 to meet the country's leaders. He was followed by Vincent Siew in the following month, when Siew was believed to have met Malaysian Prime Minister Mahathir and his then deputy Anwar Ibrahim. Earlier, in November 1997, Mahathir had stopped briefly in Taipei, while flying home from Canada, and met Vincent Siew. In the latter's visit to Kuala Lumpur in April 1998, he offered to have Taiwan's private banks guarantee the issue of bonds by the Asian governments hit by the Southeast Asian financial crisis.[96] At the APEC summit in

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Kuala Lumpur in the following November, Taipei offered to invest US$930 million in the ASEAN states through its Southeast Asia Investment Holding Company; at the same time, it proposed to join the dialogue among ASEAN economic ministers.[97]

No doubt, the Taiwan issue will continue to be a source of friction in China's relations with some of the ASEAN states. The latter are certainly unwilling to sacrifice their mutually beneficial economic ties with Taiwan to placate China. For example, Taiwan's trade with Malaysia amounted to US$7.3 billion in 1997, with Taiwan importing US$4.23 billion of goods from Malaysia, and making exports to that country worth US$3.04 billion. Taiwan is Malaysia's fourth largest trading partner, after Japan, Singapore and the United States.[98] But the ASEAN states respect Beijing's position and have no intention of violating their recognition of the government of the People's Republic of China as the sole legal government of China. Chinese leaders too realize that there is a limit to their pressure on the ASEAN states, though protests and symbolic gestures remain indispensable. For example, in response to Vincent Siew's stopover in Singapore on his way to Indonesia in January 1998, the Chinese Government cancelled the visit to Singapore of its Defence Minister, Chi Haotian (the visit subsequently took place later in the year).[99] A more effective way to limit the impact of Taiwan's diplomatic offensive is a strengthening of China's approach to ASEAN.

In view of the lukewarm attitude of the Taiwan business community, the Taiwan Government has to rely more on the public sector to boost investments in Southeast Asia. In that respect, the ruling Kuomintang's powerful business unit, the China Development Corporation, has been taking the lead in many cases. Its chairman, Liu Tai-ying, visited Thailand, the Philippines, Malaysia, and Indonesia in March 1998. The China Development Corporation would manage an investment firm targeting mainly Malaysia and Thailand with the participation of about twenty leading Taiwan companies.[100] Taipei also proposed the establishment of a major multilateral Asian crisis fund under APEC's auspices.[101]

Taiwan's lack of diplomatic representation in Indochina and Myanmar also means that it cannot provide adequate protection for its investors. Where corruption is rampant and the rule of law not well established, Taiwan investors do have grievances against the local governments. They feel acutely that their government lacks channels and mechanisms to articulate their interests and redress their grievances. Sometimes, in their frustration, they have even turned to Chinese embassies for assistance.

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Conclusion

Since the early 1990s, Chinese leaders have been under pressure to come up with a coherent regional policy, given their recognition of the increasing significance of economic regionalism and regional trading blocs. In 1991, China became a dialogue partner of ASEAN, a member of APEC, and expressed support for the Malaysian proposal for an East Asia Economic Caucus that excluded the United States.[102] Directions for an institutional framework to strengthen economic co-operation among East and Southeast Asian countries are still fluid, but they will have an important impact on the roles of the United States and Japan in the region. China cannot afford to be left out in shaping this institutional framework, and its relations with ASEAN will have a significant impact on its efforts in this direction, especially in view of ASEAN's increasingly important role in the Asia-Pacific region.

China needs a peaceful international environment to concentrate on economic development. Hence, the Chinese leadership prefers a multipolar world in which the major powers can develop friendly ties with each other and in which non-zero-sum games are the norm. Both China and ASEAN intend to play a more significant role in the Asia-Pacific region and in the international community, especially in the United Nations. Their pursuits are a non-zero-sum game and can be mutually supportive. The Asia-Pacific region needs effective representatives in negotiations with the Western countries and in various international organizations. China and ASEAN, on the basis of close bilateral and regional consultations, can perform that role together. After all, they have no intention of isolating each other in regional affairs, and they do not have the ambition of assuming a predominant leadership role in the region.

There are, however, differences in approach and interest which have to be recognized and reconciled.[103] China's more active participation in regional organizations and ASEAN's initiatives to articulate regional interests will certainly contribute to this recognition and reconciliation. Multilateral dialogue and co-operation are essential at this stage to enhance trust and reduce tension; and hopefully stable, friendly and mutually beneficial relations between China and ASEAN will help to curb the resurgence of nationalism or neo-nationalism in these countries. ASEAN's emphasis on the Track-2 process in its various diplomatic initiatives will be beneficial to China too.

From an idealistic point of view, Chinese leaders' conception of peace is more than an absence of war and violence. It is related to North–South issues and the elimination of social injustice arising from

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the gap between the rich and the poor. Peace should be based on an equality of states, while hegemonism is seen as a threat to peace.[104] Such a conception of peace is obviously in line with ASEAN's aspirations as a group of countries of varying sizes seeking to articulate their interests in a region dominated by major powers.

Meanwhile, Chinese leaders still face an arduous task in reducing or eliminating fears of a "China threat", and inducing acceptance of their "new international political and economic order" among the ASEAN states. The PLA's emphasis on improving its capabilities to win regional wars by employing high-technology will only exacerbate ASEAN's worries of a "China threat" especially in the context of China's territorial disputes with the ASEAN states and its rapidly-increasing energy needs. China's military modernization plans accord considerable priority to the navy, including the development of aircraft carriers.[105]

The ASEAN leaders, including those of Vietnam, are convinced that China needs a peaceful international environment at this stage of its economic development. They are more concerned with China beyond the year 2020 when its economic strength and military capabilities are likely to have attained a significant level. This perception means that the Chinese leadership has gained time, and economic interdependence is perhaps the most significant incentive to avoid conflict. The Chinese Government's responsible behaviour during the regional economic crisis in 1997-98 is an important landmark. Chinese leaders regarded the economic crisis as an opportunity to strengthen economic ties with ASEAN; and it is likely that they will consider Sino-ASEAN economic co-operation from a long-term perspective.[106]

China's active participation in the ARF's practice of preventive diplomacy will be another important area of Sino-ASEAN co-operation to reduce tension and enhance trust. In March 1998, Malaysia offered a venue for China and Taiwan to hold talks on unification.[107] In return, China should seriously consider its strategic partnership with ASEAN along the lines of its relations with the major powers.

NOTES

1. Lu Jianren, "China's Diplomatic Strategy Towards ASEAN at the Turn of the Century" (Speech delivered at the Contemporary China Research Centre, City University of Hong Kong on 15 December 1997). Dr Lu is Secretary-General, APEC Policy Research Centre, and Assistant Director, Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences.
2. *South China Morning Post* (Hong Kong), 24 November 1985.
3. *Ming Pao* (Hong Kong), 25 March 1986.
4. For the text of the report, see *Ta Kung Pao* (Hong Kong), 14 April 1986.

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5. The Five Principles of Peaceful Co-existence were jointly initiated by China, India and Burma in 1953-54; they are to apply to relations among countries with different social systems. They are: respect for territorial integrity and sovereignty, non-interference in domestic affairs, equality and mutual benefit, non-aggression, and peaceful co-existence.
6. Lu Jianyuan, "Zhongguo tong Zhoubian Fazhanzhong Guojia Youhao Guanxi zhi Fazhan [Development of Friendly Relations Between China and Its Neighbouring Developing Countries]", *Zhonghua Renmin Gongheguo Shiqi 1979-1994* [*A Diplomatic History of China - The Period of the People's Republic of China 1979-1994*], edited by Xie Yixian (Zhengzhou: Henan Renmin Chubanshe, 1995), Section 3, Chapter 7, p.186.
7. See Zhao Quansheng, "China's Foreign Relations in the Asia-Pacific Region: Modernization, Nationalism and Regionalism", in *China Review 1995*, edited by Lo Chi Kin, Suzanne Pepper and Tsui Kai Yuen (Hong Kong: The Chinese University Press, 1995), pp.8-15. See also the author's "China's Post-Tiananmen Diplomacy", in *The Broken Mirror: China After Tiananmen*, edited by George Hicks (Essex, United Kingdom: Longman, 1990), pp.406-9.
8. For Qian's visit to Africa in August 1989 and to the Middle East in the following month, see *South China Morning Post*, 9 September 1989.
9. Chang Qiang, "Chinese Foreign Minister Tours Africa", *Beijing Review* 32, no. 35 (28 August – 3 September 1989): 10.
10. Zhao Quansheng, op.cit.
11. For excerpts of the speech delivered by President Jiang Zemin at the memorial service for Deng Xiaoping, see *South China Morning Post*, 26 February 1997.
12. *Ming Pao*, 23 January 1997.
13. See Chen Qimao, "New Approaches in China's Foreign Policy", *Asian Survey* 33, no.3 (March 1993): 237-51; and Yan Xuetong, "China's Post-Cold War Security Strategy", *Contemporary International Relations* (Beijing: China Institute of Contemporary International Relations) 5, no.5 (May 1995): 1-16.
14. *Renmin Ribao* (Beijing), 28 January 1998.
15. Ibid., 17 February 1998.
16. Uli Schmetzer, "Russia, China Find Common Foe in U.S.: Each Backs the Other on Issues of Nationalism", *Chicago Tribune*, 26 April 1996.
17. *Ming Pao*, 25 and 27 April, 1997; see also *South China Morning Post*, 28 April 1997.
18. *Renmin Ribao*, 15 May 1997; see also "France joins Russia in special ties with China", Agence France Presse (AFP) dispatch on 17 May 1997, supplied by Singapore Press Holdings Ltd.
19. Speech of Dr Lu Jianren, see Note 1.
20. *Jiefangjun Bao* [*Liberation Army Daily*], 3 November 1995; and *South China Morning Post*, 4 November 1995.
21. In January 1998, Premier Li Peng was interviewed by the U.S.-based monthly *China Information*. See *Ming Pao*, 5 February 1998.
22. *Ming Pao*, 23 December 1998.
23. Deng Xiaoping, "Seize the Opportunity to Develop the Economy", *Selected Works of Deng Xiaoping, Vol. III (1982-1992)* (Beijing: Foreign Languages Press, 1994), p.350.
24. Ma Zhongyuan, "Zhonggong Zuochu 'Jingji Anquan' Zhanlue Juece" [Chinese Communist Party Has Made A Policy On An 'Economic Security' Strategy], *Mirror* (Hong Kong), no. 255 (1 October 1998): 32-34.

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25. See He Fang, "Yinian lai Nanbai Guanxi de Bianhua yu Fazhan" [Changes and Developments in North-South Relations in the Past Year], *Renmin Ribao*, 28 December 1997.
26. Ibid.
27. Jiang Zemin, "Hold High the Great Banner of Deng Xiaoping Theory for an All-Round Advancement of the Cause of Building Socialism with Chinese Characteristics into the 21st Century - Report Delivered at the 15th National Congress of the Communist Party of China on September 12, 1997", *Beijing Review* 40, no. 40 (6-12 October 1997): 29.
28. Speech of Dr Lu Jianren, see Note 1. Dr Lu quoted *Yomiuri Shimbun* (Tokyo), 7 April 1997.
29. Ibid. Dr Lu quoted *Asian Development Outlook 1996 and 1997.*
30. *South China Morning Post*, 17 December 1998.
31. "ASEAN", *Far Eastern Economic Review Yearbook Asia 1996* (Hong Kong: Far Eastern Economic Review, 1997), p.72.
32. "The ASEAN Regional Forum: A Concept Paper, 1995", submitted by ASEAN and annexed to the ARF Chairman's statement, Brunei Darussalam, 1 August 1995.
33. See ARF Chairman's statement, Subang Jaya, Malaysia, 27 July 1997.
34. See Simon S.C. Tay with Obood Talib, "The ASEAN Regional Forum: Preparing for Preventive Diplomacy", *Contemporary Southeast Asia* 19, no. 3 (December 1997): 252.
35. The ARF members are: Australia, Brunei, Cambodia, Canada, China, the European Union, India, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Papua New Guinea, the Philippines, Russia, Singapore, South Korea, Thailand, the United States and Vietnam.
36. *South China Morning Post*, 19 November 1998.
37. See Eero Palmujoki, "EU-ASEAN Relations: Reconciling Two Different Agendas", *Contemporary Southeast Asia* 19, no.3 (December 1997): 280-83.
38. Lu Jianren, Zhongguo he Dongmeng Tisheng Mulin Guanxi" [China and ASEAN Improve Good-neighbourly Relations], *Ming Pao*, 17 December 1997, p. B15.
39. *Financial Times* (London), 30-31 August 1997.
40. *Ming Pao*, 23 July 1997.
41. Ibid., 21 April 1997; and *South China Morning Post*, 21 April 1997.
42. Ibid., 4 June 1997.
43. *Ming Pao*, 26 July 1997.
44. Ibid., 27 July 1997.
45. Ian Stewart, "United Front Shows Signs of Cracking", *South China Morning Post*, 31 July 1997, p.17.
46. Ibid., 17 April 1997.
47. Ibid., 18 January 1998.
48. Ibid.; and *Ming Pao*, 10 February 1998.
49. Ibid., 22 November 1997.
50. Ibid., 13 January 1998.
51. Ibid., 4 December 1998.
52. The first six paragraphs of this section come mainly from my article, "China's American Policy: A Turning Point", *Journal of Chinese Political Science* 2, no.2 (Summer 1996): 73-76.
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54. *South China Morning Post*, 5 and 16 March 1996.
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56. *South China Morning Post*, 11 May 1996.
57. Ibid., 3 August 1995.
58. Ibid., 12 August 1995.
59. Ibid., 11 August 1995.
60. *Ming Pao*, 14 March 1996.
61. *South China Morning Post*, 24 July 1995.
62. Ibid.; and *Ming Pao*, 22 May 1995.
63. *South China Morning Post*, 24 July 1995; 2 August 1995; 3 August 1995; and 20 September 1995.
64. Ibid., 3 August 1995.
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Challenges Facing ASEAN in a More Complex Age

JOHN FUNSTON

Recent high-profile conflicts between ASEAN members have given the impression of an organization in disarray. These followed ASEAN's earlier perceived failure to respond effectively to the regional economic crisis and the haze from Indonesian forest fires. ASEAN's 1997 admission of Myanmar, and postponement of Cambodia's entry following a military coup, also elicited much controversy. While many criticisms of ASEAN reflect little understanding of the organization's nature or origins, ASEAN's world has become a lot more complex in the past two years. The economic crisis and ASEAN expansion are partly responsible. But ASEAN has also faced additional challenges from the changing nature of international finance, different practices of international relations since the end of the Cold War, and the growth of civil society in member countries. ASEAN is addressing these issues, but it needs to do more.

Relations between members of the Association of Southeast Asian Nations (ASEAN) took a dramatic turn in late 1998. The presidents of Indonesia and the Philippines criticized the Malaysian Government's treatment of former Deputy Prime Minister Anwar Ibrahim. Indonesian President B.J. Habibie cancelled a visit to Malaysia, and at one point both he and Philippine President Joseph Estrada contemplated boycotting the APEC summit in Kuala Lumpur in November. Thai leaders also expressed sympathy with Anwar, and Singapore's Senior Minister Lee Kuan Yew said it was "bad" if Anwar had been bashed while in jail. Malaysia, in turn, insisted that the Philippines and Indonesia refrain from interfering in its internal affairs, and postponed a meeting

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on border matters with the Philippines. Several Malaysian leaders, together with the pro-government media, also commented unfavourably on presidents Habibie and Estrada.

A little earlier, other bilateral conflicts had grabbed media attention. The most dramatic were between Malaysia and Singapore, over issues including commercial disagreements, the location of Malaysian customs, immigration and quarantine (CIQ) operations for train services, the supply of Malaysian water to Singapore, alleged violations of Malaysian airspace by Singapore military aircraft, and a book of memoirs by Senior Minister Lee. Security co-operation under the Five-Power Defence Arrangements was disrupted for the first time, with Malaysia suspending the 1998 exercises, ostensibly for budgetary reasons. Indonesia–Singapore relations were affected by Senior Minister Lee's February 1998 criticism of B.J. Habibie's possible appointment as Vice-President. In a memorable retort, President Habibie told the *Asian Wall Street Journal* in August that Singapore was "just a little red dot on the map".

ASEAN's image was tarnished by these events. And indeed, there had been much questioning of ASEAN's usefulness since the middle of 1997.[1] The regional economic crisis was part of the reason for this — the perception of individual countries as exemplars of the "Asian economic miracle" was affected, and ASEAN as an organization seemed unable to respond. At the same time, ASEAN was seen as ineffective in addressing the haze that engulfed the region in the second half of 1997, the Hun Sen coup in Cambodia in July, and human rights concerns in Myanmar after that country was admitted into the organization. The international media began to describe ASEAN as a failure. The July 1998 Annual Ministerial Meeting (AMM) did little to redress this perception. Thailand's proposal for a move to "flexible engagement" — widely considered a departure from the principle of non-intervention — was supported only by the Philippines, and seen as indicating further divisions within ASEAN's ranks.

At the December ASEAN Summit in Hanoi, most government leaders reflected on these problems. Malaysian Prime Minister Mahathir Mohamad observed that the economic crisis had "created the impression of an ASEAN in disarray, its members at odds with one another". His Singapore counterpart, Goh Chok Tong, lamented that some Dialogue Partners believed ASEAN had been "exposed as ineffective" — a perception that was "not entirely without basis". Thai Prime Minister Chuan Leekpai observed that: "The economic and financial crisis we are going through has somewhat eroded our self-confidence. It has raised doubts and questions about whether ASEAN can regain its vibrancy and vitality. Some have gone so far as to write us off."[2]

These developments have opened up some major questions. Is the perception of an ASEAN in disarray — or even in crisis — warranted?

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Is the economic crisis the main cause of ASEAN's problems? How is ASEAN responding? Is ASEAN still needed?

ASEAN in Crisis? Two Reasons For Caution

Claims that ASEAN is in disarray or in crisis have frequently been made in the past, but subsequently disproved. When ASEAN was formed in 1967 it was divided by almost all kinds of differences conceivable — historical, racial, cultural, political, and economic. Malaysia and Singapore had just concluded a confrontation with Indonesia; Singapore had just been asked to leave Malaysia; and Malaysia and the Philippines were locked in diplomatic conflict over the ownership of Sabah. Few analysts thought ASEAN could survive.

Since then, there have been numerous articles questioning ASEAN's viability, with frequent references to it being at a "cross-roads", or "watershed". In 1975, ASEAN was widely expected to capitulate to a newly united Vietnam, and fall in with its wishes for the region; instead, it convened its first summit, and strengthened co-operation across a wide range of activities. In 1979, ASEAN was expected to accede quickly to Vietnam's invasion of Cambodia; but it sustained opposition to this action for over a decade until the withdrawal of Soviet aid forced Vietnam to withdraw. And at the end of the Cold War in the early 1990s, ASEAN was expected to disintegrate quickly in the absence of a common enemy and United States indifference. Instead, ASEAN responded by strengthening economic co-operation, particularly through the ASEAN Free Trade Area (AFTA), upgrading security co-operation with the launch of the ASEAN Regional Forum (ARF), and expanding the organization to incorporate former adversaries in Indochina and Myanmar.

In all these cases, ASEAN demonstrated an ability to adapt to new circumstances, when many expected it to fail. That does not mean that it will adapt successfully this time, but it should serve as a precaution against any rush to judgement.

A second reason for caution is that many recent judgements and criticisms of ASEAN have been based on a misunderstanding of what ASEAN represents, and its *modus vivendi*. The following are some examples:[3]

- *Divisions between ASEAN states are now greater than ever before.* For reasons noted above, divisions between the ASEAN states at formation in 1967 were profound. Current divisions are certainly no greater.
- *ASEAN leaders have never previously criticized each other.* There have been numerous sharp exchanges in the past, including:

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between Malaysia and the Philippines over Sabah (for some two decades, Malaysian leaders refused to make any bilateral visits to Manila); between Singapore and Indonesia over the hanging of two Indonesian soldiers arrested during the "confrontation" conflict; between Indonesia and Malaysia, over the 1990 hanging of an Indonesian for a drug offence, and over the islands of Sipadan and Ligitan; and in the mid-1990s, between Singapore and the Philippines over the hanging of a Filipino maid convicted of murder. The list could be greatly expanded.

- *ASEAN's policy of non-interference means abstaining from any attempt to determine domestic affairs in another country.* ASEAN countries have individually and collectively long taken a stand on international issues such as apartheid (Malaysia led efforts to expel South Africa from the Commonwealth in the 1960s), and, more recently, Bosnia. Within the region, ASEAN has sought to influence internal matters in Cambodia for some two decades. In 1986, five foreign ministers (minus the Philippines) called for a peaceful resolution to the anti-Marcos protest in Manila. And in 1997 ASEAN foreign ministers collectively, and several ASEAN leaders individually, indicated that more pressure would be put on Myanmar on human rights issues once it joined ASEAN.[4]
- *ASEAN's non-interference policy should be abandoned because a) in today's global world all developments are interconnected, and b) states should assist others to strengthen social and economic conditions.* These verities have, in fact, long been recognized by ASEAN. They are implicit in the founding 1967 Declaration, and appear even more clearly in the 1976 Declaration of ASEAN Concord. Clause 1 notes that "The stability of each member state and that of the ASEAN region is an essential contribution to international peace and security". Clause 3 states: "The elimination of poverty, hunger, disease and illiteracy is a primary concern of member states. They shall therefore intensify cooperation in economic and social development..."[5] Recent developments have, however, certainly highlighted the interconnected nature of ASEAN relations (a topic discussed below).
- *ASEAN has shown that it is only able to co-operate in times of high economic growth.* ASEAN countries have been through difficult economic times before, most notably in the mid-1980s when both Malaysia and Singapore experienced negative growth. The initial ASEAN response to recent problems was to pull together, though that has not been true since the second quarter of 1998.
- *ASEAN's failure to solve problems such as the economic crisis and the haze (from massive forest and peat fires) proves it is a*

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failure. ASEAN's initial response to the economic crisis was better than it has been credited with (see below), but the crisis had an important global dimension. ASEAN acting alone could never have solved the crisis, and its efforts to enlist the support of the great powers and international institutions fell largely on deaf ears. The haze may be more amenable to a regional solution, but it was largely an Indonesian problem, and while ASEAN members made their concerns quite clear, the organization was in no position to dictate. ASEAN Secretary-General Rodolfo Severino has described denigration of ASEAN for its failure to act on such issues as "something akin to blaming the OAS [Organisation of American States] for the financial crisis in Mexico some years ago or for forest fires in Brazil, or the OAU [Organisation of African Unity] for Africa's recent sorrows, or the EU for the problems in the Balkans."[6]

ASEAN, it should be emphasized, has seldom achieved anything by acting alone. The success of its campaign with regard to Cambodia in the 1980s was due to the backing of the United States and other great powers. The success so far achieved by the ARF, and the future of this organization, are also tied to co-operation from the great powers.

Current Troubles — The Economic Crisis to Blame?

ASEAN leaders, and many analysts of the organization, see the regional economic crisis as the main factor behind the current malaise. Some accounts also stress the additional strains caused by ASEAN enlargement, and the emergence of new national leaders. All these factors are, in varying degrees, important. But so are other influences that have received less attention, including changes in international finance, greater complexity in the practice of international relations since the end of the Cold War, and the growing importance of civil society and democracy in the ASEAN states.

Economic Crisis. From the outset, the economic crisis led to tensions over a number of issues. Each country sought to distinguish itself from neighbours so that it would be more attractive to foreign investors. Malaysia said that it was better placed than others because it had political stability and did not need to call in the International Monetary Fund (IMF); on several occasions, Dr Mahathir even declared, "Malaysia is not like Indonesia". The Philippines argued that it was just emerging from IMF tutelage and was therefore in good shape. Singapore declared that its financial system was robust and well supervised, and its government was prepared to take the tough decisions necessary to restore

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growth. And so forth. Other tensions were caused by the repatriation of Indonesian illegal labour from Malaysia and Singapore, and Myanmar nationals from Thailand, along with a sharp reduction in investment among the ASEAN countries.

However, tensions caused by these factors seemed to be manageable until the second quarter of 1998. The advantages of co-operation were perceived as greater than pursuing separate paths, perhaps in part because foreign investors generally viewed the countries as part of a (Southeast Asian) region. The impact of the financial crisis was particularly felt after this *contributed* to the fall of the Soeharto regime in Indonesia in May, and political conflict in Malaysia leading to the sacking of Deputy Prime Minister Anwar Ibrahim in September. There were, undoubtedly, some purely economic elements in Singapore's conflicts with Indonesia and Malaysia. Singapore was accused by both countries of either taking advantage of their economic weakness, or being unsympathetic. But political volatility in Indonesia and Malaysia was probably a more important factor.

President Soeharto was one of the founding leaders of ASEAN, and had long been a stabilizing influence. Indonesia has not always dominated ASEAN — Thailand was the most important country in co-ordinating ASEAN's approach to the Cambodian issue during most of the 1980s — but it has always been seen as the first among equals. Since Soeharto's fall, Indonesia has been deeply preoccupied with its internal problems, an unnerving issue for other ASEAN members. While Indonesia has not been a direct obstacle to ASEAN co-operation, it has been in no position to assume leadership. Indeed, much of its diplomatic focus has been on East Timor, an issue that holds out the less than welcome prospect of further ASEAN expansion to eleven countries.

Similarly, the Anwar episode has brought new factors to bear on the organization. Although not a government head, Anwar was a popular figure in the region, with a network of contacts unmatched by any other ASEAN leader. Critical comments on the Malaysian Government's handling of his case perhaps also derived from a perception that Malaysia had violated an unwritten regional norm in terms of the treatment of former political leaders. Southeast Asians have generally not treated former leaders defeated in a power struggle too harshly — ousted leaders in Thailand and the Philippines, for example, have seldom been brought to court for their actions, or become objects of a sustained campaign to malign their reputations.

Anwar's sacking also affected ASEAN in two further ways. His popularity with political leaders outside the region helped focus outside attention on issues of human rights within ASEAN in an unflattering way. Secondly, Anwar had been a leading figure in co-ordinating the

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response of ASEAN finance ministers to the economic crisis; ASEAN's effectiveness in this area declined notably after his departure.

New Leaders, and ASEAN Expansion. At least two additional factors have been frequently mentioned to explain the current unsettled state of relations within ASEAN. One points to generational change, with presidents Habibie and Estrada seen as "new kids on the block". This argument is not strongly persuasive. Both these leaders have moved in ASEAN circles at senior levels for many years, and understand how it works. The ASEAN countries have experienced many leadership changes in the past without them disrupting the organization.

A second argument is that the problems are tied to the issue of ASEAN's expansion, to include the Indochina countries and Myanmar. Indirectly, this was a factor in intensifying debate about the principle of non-intervention. And the incorporation of Myanmar, and initial failure to bring in Cambodia, both affected ASEAN's prestige. At the time of writing, ASEAN and the European Union have aborted several meetings because of conflict over Mynamar's participation on the ASEAN side. However, the difficult problems that have emerged recently have been between the original ASEAN members, not between this group and the new members.

New Global and National Influences

Managing ASEAN's affairs during a time of economic crisis, with membership expanding and national leaders changing, would have been difficult enough. Broader global and national changes have complicated the process even further.

International Finance. The stampede of international finance out of Southeast Asia after July 1997 was an important element in the regional crisis. US$93 billion came to the region in 1996, minus US$12 billion in 1997 — a staggering difference of US$105 billion. But changes in the international financial market-place have also had broader implications for ASEAN. Since the mid-1990s, the amount of money invested in "emerging markets" has exploded exponentially. The impact of these funds has been magnified by the expansion of hedge funds, and the speed of new technology. Financial reports frequently mention that between US$1.5–2 trillion of currency is traded daily, only 2 per cent of which is for trade in goods and services. Putting extra pressure on ASEAN is the fact that the global market now sees all Southeast Asian countries as part of a common region, and does not confine its judgements to economic indicators; it is also influenced — often in unpredictable and herd-like ways — by factors such as political risk, environmental issues, and human rights.

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An additional factor is that *the market* does not listen much to official communiqués emanating from major ASEAN meetings. In the 1980s, individual ASEAN countries frequently broke ranks on the Cambodian issue, but foreign and defence ministries of the great powers waited for an authoritative ASEAN clarification. Markets, however, react quickly to any outspoken comment by individual ASEAN leaders.

Post-Cold War International Relations. Those factors identified in the early 1990s as problematic for ASEAN unity — the absence of a clear external enemy, and declining U.S. interest in the region — seem to have made more of an impact after the economic crisis struck. It is impossible to contemplate such a hands-off U.S. approach to the crisis had the Cold War still been in existence.

A second important feature of post-Cold War international relations is the much greater influence assumed by economic portfolios in the determination of foreign policy, at the expense of the traditionally dominant foreign and defence ministries. The U.S. Treasury led U.S. policy towards Southeast Asia in 1997, and was notably less sympathetic to the region than the State and Defence departments had been in the past.[7] An additional obstacle at this time, and in 1998, was presidential distraction from foreign policy issues because of President Clinton's much-publicized domestic problems.

Thirdly, issues such as human rights, democracy, and the environment have gained greater prominence in international relations in the 1990s. All these issues pose problems, in varying degrees, for the ASEAN countries.

Civil Society in the ASEAN Countries. Rapid economic growth in many ASEAN countries in the period before the economic crisis created a broader middle class, and with it a greater concern over civil society and democracy. The communications revolution has also played a part, with e-mail and the Internet making it impossible to prevent critical reports reaching a wide domestic audience. Issues such as democracy and public empowerment have not lost their saliency since the crisis; indeed, they are identified by many analysts as an important factor in its solution. Civil society is strongest in Thailand and the Philippines, but also important in other countries, particularly Indonesia and Malaysia. A strong civil society puts pressure on governments, directly or indirectly, to take a greater interest in issues such as human rights in neighbouring countries.

How has ASEAN Responded?

On the economic front, some of the problems are purely domestic, and require each ASEAN country to implement economic reform. But

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there is a great deal that ASEAN can do as a group — both because it is now perceived to be a group by the international market, and because a united ASEAN voice carries much greater weight in international fora than each of the countries individually.

When the economic crisis struck, ASEAN was not well-placed to react. Finance ministers had never met officially until March 1997. But in the second half of 1997 they met several times and adopted policies that represented a sensible approach to the problem, though their efforts were sometimes stymied by conflicting messages from individual ASEAN leaders. The main elements in the ASEAN approach, articulated in a series of meetings by the finance ministers and an ASEAN summit were: a call for assistance to address problems associated with international currency trading and international finance generally — the IMF was tasked to report on this; support for strengthening the IMF to deal with the current crisis; an appeal to the large economies, particularly the United States, the European Union, and Japan to help resolve the crisis; promotion of trade within the Southeast Asian and East Asian regions, using local currencies where possible; and a promise that the ASEAN states would remain committed to an open trade and investment environment, and further liberalization, and would get their own houses in order — individually, and collectively — through a peer surveillance scheme.[8]

Such initiatives placed ASEAN finance ministers and officials at the centre of the Hong Kong IMF/World Bank meeting in September 1997, and the Manila 14 meeting in November. Some of these policies were controversial initially, especially those directed at reforming the international financial architecture. However, the United States, the Group of Seven (G-7) industrialized countries, the IMF, and others are now addressing such problems seriously. Another ASEAN initiative that attracted early opposition from the United States was an attempt to establish a Japan-backed "Asian Fund"; recent Japanese proposals for a similar (though not identical) US$30 billion fund now seem internationally acceptable.

But if efforts to resolve international aspects of the crisis appeared to be moving in its favour in 1998, there is little evidence that ASEAN played a very direct role in these events. Problems in Russia and Brazil, together with the bail-out of the U.S.-based Long-Term Capital Management hedge fund, were probably the main factors. In addition, a number of noted economists — including Paul Krugman and Jagdish Bagwati — penned articles that focused on the disruptive potential of short-term capital flows and currency trading.[9] Key ASEAN players did take part in meetings of the U.S.-sponsored G-22, and the Manila 14, but there was little evidence of a concerted ASEAN approach in

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these meetings. Similarly, Dr Mahathir had a clear agenda for international financial reform for the November APEC conference, but there was little indication that ASEAN as a collective had any agenda. Even ASEAN support for Thai Deputy Prime Minister Supachai Panitchpakdi's candidature to head the World Trade Organization (WTO) seemed rather pro forma — there were, for example, no ASEAN lobbying delegations to countries outside the region, as occurred on several occasions in relation to diplomacy on the Cambodian crisis.

In other respects, ASEAN's messages to the global market were somewhat mixed. Malaysia's decision to implement capital controls represented an abrupt change of tack, and heightened concern about openness for the region as a whole. ASEAN did get its peer surveillance scheme off the ground; however, agreement was delayed until October because of opposition from states worried that they might be forced to reveal "national secrets". The impasse was finally broken by an agreement that economic data would be submitted on a voluntary basis. This was a considerable compromise on the original idea, and whether it is practical remains to be seen.

There were, however, some unambiguously positive developments in 1998. The meeting of ASEAN trade ministers in October agreed to speed up AFTA, and approved plans for an ASEAN Investment Area.[10] ASEAN also paid attention to providing a region-wide social welfare net to ameliorate the dramatic drop in living standards caused by the crisis. At the end of October, a Task Force was established, along with an ASEAN Action Plan on Social Safety Nets, designed to help analyse the nature of social problems, plan remedies, and co-ordinate with international aid agencies, dialogue partners and others in delivering aid.[11] Such initiatives are particularly relevant to Indonesia, whose fortunes are, in turn, central to the future of ASEAN.

On environmental matters, ASEAN has done more than is commonly recognized. It has had a Co-operation Plan on Transboundary Pollution since 1995. But the fires and haze of 1997 set off an intensive round of consultations among ministers and senior officials — including five ministerial meetings in a five-month period — on short and long-term measures to address the haze problem. There is now optimism that new measures will ensure outbreaks of fire are better contained in the future.[12] Other environmental issues have also received greater attention. The 1998 AMM welcomed the publication of the First ASEAN State of the Environment Report. And the 2020 Vision, approved at the December 1997 informal summit, upholds the importance of "sustainable development" and "a clean and green ASEAN".[13]

Politically, ASEAN has recognized that changing circumstances require greater engagement with the great powers, particularly the

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United States and those in East Asia. And progress has been made on that score. China, Japan and South Korea came to the informal ASEAN summit in 1997, and the formal summit in Hanoi last December, thus establishing a basis for annual regional summits. The ASEAN countries have sometimes seen Japan's economic problems as a major factor behind the regional crisis, but both Japan and China have generally been regarded as more sympathetic to the economic crisis than the United States. There have, at times, been hostile nationalistic outbursts against the United States, but ASEAN leaders have never lost sight of that country's importance in resolving the crisis. Thailand, in particular, purposefully improved relations with Washington as part of a broader strategy of gaining international support for its economy.[14] The new relationship will likely survive Thailand's current deep resentment of U.S. efforts to block the bid for leadership of the WTO by Deputy Prime Minister Supachai Panichpakdi. As a modest step towards enhanced relations with all countries, the 1998 AMM finally reached agreement on a new protocol to the Treaty of Amity and Co-operation in Southeast Asia — a cornerstone for co-operation between the ASEAN states since 1975 — making it available for accession to countries outside the region, once ratified by all member countries.

ASEAN has also recognized the importance of being more proactive on human rights issues. Its 2020 Vision commits ASEAN to establishing "caring societies" in which "all people enjoy equitable access to opportunities for total human development regardless of gender, race, religion, language, or social and cultural background". It also proclaims ASEAN to be an "outward-looking" organization and "an effective force for peace, justice and moderation in the Asia-Pacific and in the world". The 1998 AMM also welcomed the establishment of a non-governmental Working Group on an ASEAN Human Rights Mechanism.

There are other political issues ASEAN will have to face, including strengthening its secretariat, restructuring organizational arrangements, assisting newly-admitted Cambodia to resolve its internal problems and integrate with ASEAN, and addressing broader security issues in the ARF. But the most immediately challenging issues are those created by conflict over the doctrine of non-intervention, and the recent spate of bilateral disputes. The extent of divisions should not be exaggerated; as noted, there have been plenty of occasions when ASEAN faced similar problems in the past. And there is a positive side to attempts at redefining the meaning of non-intervention. Thai Foreign Minister Surin Pitsuwan assured the AMM in July 1998 that he was not questioning the fundamentals of ASEAN policy, or the traditional ASEAN way. Indonesia's Ali Alatas, the doyen of ASEAN foreign ministers, has suggested that recent expressions of concern about Malaysian developments should

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not be considered a violation of ASEAN traditions.[15] The elements of a clearer definition of non-intervention — one that cannot be branded as a mere protection of authoritarian rule — may be starting to emerge. Indonesia's recent tumultuous changes may, in this area, eventually prove positive for ASEAN.

The Hanoi Summit

Depending on which account one reads, the December 1998 ASEAN summit in Hanoi either failed to paper over divisions related to admitting Cambodia and confronting China on its encroachment in the Spatlys, or it succeeded in promoting political cohesiveness and bolder economic co-operation.[16] The truth probably lies somewhere in between.

On the political front, the conflict over Cambodia's entry was an unwanted diversion, and the apparent desire of Vietnam to muscle this through without first ensuring consensus disturbed some older ASEAN members. However, the issue in dispute was the timing, and the ultimate decision — to accept Cambodia's membership, but delay entry until all elements of a new government were in place — was an imaginative compromise that protected everyone's interests. (Formal induction then took place on 30 April 1999.) On the Spratlys, ASEAN may not have been confrontational, but individual leaders raised this with China, and the summit documents contain several references to the need for resolving this issue peacefully.[17] Otherwise, key political aspects of the meeting included a reaffirmation of ASEAN solidarity, "based on the cardinal principles of mutual respect, non-interference, consensus, dialogue and consultation", and familiar reiterations of ASEAN leadership of the ARF, and desire to strengthen co-operation with dialogue partners. That may have sounded somewhat defensive, but posed no grave obstacle to the cautious reforms mentioned above.

Intriguingly, the summit also promised to "Formulate draft rules of procedure for the operations of the High Council as envisioned in TAC [Treaty of Amity and Cooperation]".[18] The High Council was supposed to have been in existence since the TAC was adopted in 1976, to assist in resolving or ameliorating any conflict between member countries, but has never been convened. This decision appears to reflect a greater seriousness in addressing issues of conflict resolution within ASEAN, and will be of considerable interest to others now being entreated to agree to the new TAC protocol.

Economics, however, was the main focus of the three documents emerging from the summit — the Hanoi Plan of Action, the Hanoi Declaration of 1998, and a Statement of Bold Measures. These documents

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were generally pragmatic, and sent the right message that moves towards further regional integration and liberalization would go ahead. ASEAN leaders promised maintenance of macroeconomic stability, further liberalization and strengthening of financial systems (including higher benchmarks for the disclosure and dissemination of information), and development of capital markets. Other commitments included a speeding up of AFTA by twelve months (the ASEAN-6 will have 0-5 per cent tariffs by 2002), additional investment incentives to December 2000, and expediting implementation of the ASEAN Investment Area. Several sections also addressed issues such as poverty, human resource development, sustainable development, and protection of the environment. The Plan of Action has a six-year time frame, and will be reviewed after three. How far these proposals will go towards offsetting contrary messages conveyed by Malaysia's capital controls and slow ASEAN's progress in areas such as peer surveillance remains to be seen. Under such circumstances, the outcome was probably the best attainable.

A More Important Role

ASEAN's recent difficulties are more complex than commonly perceived. They are not just the consequence of economic adversity, the political fall-out from such adversity, or the organization's expansion — although all these factors have had an impact. ASEAN has simultaneously faced new challenges posed by the changing nature of international finance, a different form of international relations since the end of the Cold War, and the growth of civil society in ASEAN countries.

Notwithstanding an ostensible focus on economic and social goals, ASEAN's original purpose was primarily about containing regional conflict among diverse neighbours, and uniting as a region against external threats (which then meant the communist world). ASEAN also played a subsidiary role in representing its members as a group in economic dealings with the great powers. With the forces of diversity and fragmentation greatly strengthened by ASEAN's expansion and fall-out from the economic crisis, the importance of containing regional conflict has been enhanced. And ASEAN still needs political unity *vis-à-vis* those outside the region, to enhance its strength in dealing with a range of other countries, particularly the great powers, such as China, the United States and Japan, both bilaterally and in institutions such as the ARF.

ASEAN's economic rationale, including its external dealings, has also acquired much greater importance. The logic of greater integration between the ASEAN countries (and those of East Asia) has been reinforced by the perception of the international market that Southeast

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Asia is one region. The increased foreign policy importance of economic issues, and institutions such as the WTO, APEC, and the International Labour Organization, has also strengthened the need for co-operation between ASEAN economic officials — extending to finance rather than just trade as in the past.

Amitav Acharya has recently argued that the "spiral of insecurity" generated by the economic crisis has strengthened Realist perspectives — meaning, reliance on great power leadership — and left the Institutionalist position "demoralized and somewhat marginalized". However, he goes on to say that the Realist approach offers no certain solutions: U.S. military dominance has not, for instance, guaranteed economic security. The Institutionalist approach, therefore, remains relevant, and ASEAN must become a more transparent, rule-based institution, grounded more firmly on civil society, so that Institutionalism can "reassert itself as a credible paradigmatic alternative".[19]

Policy-makers may not be inclined to see Realism and Institutionalism as an either-or alternative. The ASEAN countries have over the years demonstrated considerable skill in pursuing both options at the same time. But Acharya is right to recognize that the answer to recent shortcomings in ASEAN performance is not to abandon ASEAN, but to work at strengthening it.

NOTES

1. The challenges facing ASEAN in the second half of 1997, and the organization's response to them, are discussed in John Funston, "ASEAN: Out of Its Depth?", *Contemporary Southeast Asia* 20, no.1 (April 1998): 22-37.
2. Quotations are from Keynote Address, Welcoming and Opening Remarks, Sixth ASEAN Summit, 15-16 December 1998, Hanoi, Vietnam, on ASEAN Website: http://www.asean.or.id/.
3. Taken from articles such as "Out of Its Depth", *Far Eastern Economic Review*, 19 February 1998; "ASEAN's Failure", *The Economist*, 28 February, 1998, p.29; "Grouping Exposes Limitations of its Regional Role", IISS Strategic Comment carried in the *Straits Times*, 10 September 1997; "Indonesia Awakes, South-East Asia Starts to Wonder", *The Economist*, 6 June, 1998; "Divided We Stand", *Asiaweek*, 31 July 1998; "ASEAN. The Game Goes On", *The Economist*, 1 August 1998; "ASEAN. In the Bunker", *Far Eastern Economic Review*, 6 August 1998; "ASEAN. Waiting to Move Ahead", *Asiaweek*, 7 August 1998; "Neighbourhood Relations. Indonesia and ASEAN in the Post-Suharto Era", *Asiaweek*, 4 September 1998; and "Divided They Fall. Asean is Losing its Unity — and Its Clout", *Far Eastern Economic Review*, 17 December 1998.
4. See details in John Funston, op. cit., p. 24.
5. Both the Bangkok Declaration (1967) and the Declaration of ASEAN Concord (1976) are on the ASEAN Website, under the Basic Political Documents title.
6. Rodolfo Severino, "Asia Policy Lecture: What ASEAN Is And What It Stands For", Research Institute for Asia and the Pacific, University of Sydney, Australia, 22 October 1998). See Speeches of the SG at http://www.asean.or.id/.

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7. See, for instance, the tough demands made by the U.S. Treasury on Thailand before it would approve the IMF bail-out. Vatchara Charoonsantikul and Thanong Khanthong, "IMF Pressured Chaiyawat to Declare Swaps", in the *Nation*, 7 December 1998.
8. Discussion of ASEAN's response to the economic crisis draws on John Funston, op.cit., pp. 29-33.
9. Jagdish Bhagwati, "The Capital Myth. The Difference Between Trade in Widgets and Dollars", *Foreign Affairs*, May-June 1998, pp.7-12; and Paul Krugman, "Saving Asia: It's Time to Get Radical", *Fortune*, 7 September 1998.
10. Joint Press Statement of the Thirteenth ASEAN Economic Ministers Meeting, 7-8 October 1998, Makati City, Philippines, paras. 7-8. See Economic Cooperation at http://www.asean.or.id/.
11. "ASEAN responds to poverty indeed by crisis with social safety net plan", *ASEAN Update*, Vol. 2 (Second Quarter, 1998), on http://www.asean.or.id/
12. Rodolfo Severino, op. cit.
13. See *ASEAN Vision* 2020, at http://www.asean.or.id/.
14. John Funston, "Thai Foreign Policy: Seeking Influence", in *Southeast Asian Affairs 1998*, edited by Derek da Cunha and John Funston (Singapore: Institute of Southeast Asian Studies, 1998), pp. 302-5.
15. *Straits Times*, 5 November 1998.
16. For the view that the summit was a failure, see, for example, Peter Alford, "Cracks Show in the ASEAN Façade", *Australian*, 18 December 1998; and M. Vatikiotis, "Divided They Fall", *Far Eastern Economic Review*, 17 December 1998. The case for the meeting being considered a success is made in Tommy Koh, "Grouping Will Emerge Victorious", *Sunday Times*, 20 December 1998; and Marisa Chimprabha, "ASEAN Leaders Pledge Unity, Cohesiveness", *The Nation*, 17 December 1998.
17. For instance, para. 30 of the Hanoi Declaration of 1998 (16 December) reads: "We shall promote efforts to settle disputes in the South China Sea by peaceful means in accordance with international law, including the 1982 United Nations Convention on the Law of the Sea, and in the spirit of the 1992 ASEAN Declaration on the South China Sea. We call on all parties concerned to exercise restraint and to refrain from taking actions that are inimical to the peace, security and stability of Southeast Asia and the Asia-Pacific region".
18. "Hanoi Plan of Action", para. 7.5.
19. Amitav Acharya, "Realism, Institutionalism, and the Asian Economic Crisis", *Contemporary Southeast Asia* 21, no. 1 (April 1999): 23.

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APEC and the WTO: Which Way Forward for Trade Liberalization?

JOHN RAVENHILL

The relative effectiveness of APEC and the WTO in promoting trade liberalization was brought into sharp relief when APEC decided to refer its programme of "Early Voluntary Sectoral Liberalization" to the WTO. The WTO's success in liberalizing trade in large part stems from clearly specified obligations, legally-binding commitments, reciprocity, and non-discrimination. These characteristics have helped the WTO to discourage opportunistic behaviour by its members; moreover, they have helped governments to resolve domestic political economy problems associated with trade liberalization. In contrast, APEC's reliance on voluntary compliance with unilaterally defined commitments provides little certainty about the behaviour of partner economies, and fails to address domestic political economy problems. APEC is increasingly likely to return to its roots — the OECD model of trade facilitation and economic and technical facilitation.

APEC's decision at its Kuala Lumpur leaders' meeting in November 1998 to refer its programme of "Early Voluntary Sectoral Liberalization" (EVSL) to the World Trade Organization (WTO) confirmed what skeptics had long asserted: APEC is not an effective forum for inter-state negotiation of contentious trade issues.[1] Why might the WTO succeed where APEC has failed? And what roles remain for APEC in its pursuit of trade liberalization and facilitation in the Asia-Pacific region? These are the principal questions this article seeks to address.

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The Political Economy of Trade Liberalization

For students of trade policy, the lack of congruence between the prescriptions of economic theory and the behaviour of governments poses an immediate puzzle. If free trade is as beneficial as economic theory suggests, why have governments practised it so rarely? Does the option of free trade not provide a rare instance of harmony — a situation in which self-interested governments will pursue policies that maximize not only their individual welfare but also the common good? Most economies have so small a share of global trade or of total trade in a particular product that on their own they are not able to improve their terms of trade. Unilateral liberalization is the preferred policy prescription of economic theory. It is one, none the less, that governments, historically, have rarely embraced.

Several factors might explain governments' failure to practise free trade. One is that governments are simply lacking in knowledge, unaware of the purported benefits of trade liberalization. Such an explanation is scarcely credible in an era of easy global communication, at a time of almost universal participation by states in the World Bank and the International Monetary Fund, and when the international financial community is keen to "sell" the message of liberalization to recipients of capital.

A second set of explanations revolves around a failure by governments to accept the logic of the neoclassical case for free trade, and thus their conscious rejection of the accompanying policy prescriptions. These objections may be based either on economic theory or on governments' giving higher priority to non-economic objectives than to the purported gains to be made from trade liberalization.

A starting point here are the exceptions to the case for free trade that neoclassical theorists accept.[2] Leaving aside for the moment the case for optimal tariffs (that would enable governments to capitalize on their monopoly, or monopsony positions) because this argument applies only to large players in the world economy, neoclassical theory allows several other exceptions to the case for free trade. Perhaps the best known of these is the argument for infant industry protection. Often associated with the mercantilist ideas of Alexander Hamilton and Friedrich List, the argument none the less received the endorsement of one of the most enthusiastic of the nineteenth century proponents of free trade, John Stuart Mill. In the post-war years, the case for infant industry protection became one of the cornerstones of development economics.

The costly failures of import substituting industrialization in many less developed economies, especially in Africa, South America and South Asia, have done much to discredit the case for infant industry

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protection — albeit often as much for reasons of political economy as for those derived from economic theory itself. In an era of global (or regional) production networks, however, when production is frequently for the world rather than the domestic market, the economic case for infant industry protection is also less compelling. The advent of post-Fordist production techniques, often based on the application of numerically-controlled machine tools, renders the economies of scale that infant industry protection is often designed to achieve less important in some sectors of the manufacturing industry today than it was in the first three post-war decades. The move towards lower tariffs and the emphasis on export-oriented production that has been so prominent in many less developed economies since the mid-1980s is testimony not only to the power of the ideas promoted by the international financial institutions. It also indicates the loss of faith in many parts of the world in infant industry protection as a method of fostering rapid economic growth. Nevertheless, the infant industry argument continues to hold some attraction for governments, particularly those involved in the promotion of domestically oriented industries — witness the protection given the automobile industry in Southeast Asia.

Neoclassical economic theory allows several other exceptions to the prescription of free trade. These include the imposition of duties where foreign producers engage in short-term dumping; where foreign producers hold a monopoly; and the use of tariffs to raise revenue when other means are less cost-effective. In addition, failure in various domestic factor markets opens the way for deploying tariffs as a second-best instrument to correct distortions in the domestic economy. More influential than these arguments in recent years, however, have been two new strands of economic literature: strategic trade theory, and the "new" growth theories.

Theories of strategic trade build on the infant industry argument by marrying it with insights from the literature on industrial organization. These approaches begin by discarding the neoclassical assumption of perfectly competitive markets. Instead, they portray the contemporary industrialized world as characterized by oligopolistic competition and by intra-industry trade in products often differentiated primarily by brand name. With imperfectly competitive markets, the possibility exists for firms to earn rents even in the long term.[3] In a market in which few players compete, where entry costs are high, where firms face steep learning curves and can gain "first mover" advantages, strategic moves become an important determinant of who will prosper. Credible commitments may deter rivals from entering the market, enabling the domestic firm to gain first mover advantages and capture the lion's share of rents. In a competitive structure where credible commitments are

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important, governments can improve the prospects of their domestic firms through a variety of measures. These include the exclusion of competitors from the domestic market, and the provision of subsidies for infrastructure and for exports, research and development, and so forth.[4]

In its emphasis on path dependencies, and on promoting industries that generate positive externalities and ensuring that they are captured within the domestic economy, strategic trade theory overlaps with the new growth theories. These suggest that small initial differences in economies' trajectories can translate into large long-run differences in growth rates.[5] In such circumstances, the case for free trade is no longer unqualified. The argument is far stronger in the strategic trade literature where, in certain circumstances, international economic relations take on adversarial attributes. Trade becomes a zero-sum rather than a positive-sum game.

For many economists, the case for strategic trade policies is far stronger in theory than in practice — especially for small and medium-sized and less developed economies. They see the probability (and negative consequences) of government failure in the pursuit of interventionist policies as far outweighing those of market failure. In particular, rational policy-making is likely to succumb to particularist influences, the victim of political economy problems.[6] These objections of most professional economists notwithstanding, the new trade and growth theories provide a significant set of theoretically-informed reservations to the case for free trade that supplement the exceptions that the neoclassical approach allows. Certainly, there is sufficient material here to cause governments to have reservations about an unqualified economic case for free trade. And the economic policies of Northeast Asian governments in the post-war period suggest that they practised a strategic approach to trade — even before economists devised models to demonstrate why in theory these policies might be successful.[7]

Governments may accept the case for free trade on economic grounds but reject the policy prescription none the less, because they place a higher value on political and social concerns. Again, economic theory suggests a number of grounds why governments might legitimately decide against free trade. The best known of these is the case for protection on grounds of national security, or of protecting public welfare or morality. Most governments are also inclined to limit trade if they believe that it threatens social consensus. Here the argument is not grounded in a cynical interpretation of governments' motives as resting solely on short-term aspirations for re-election but on their perceptions of what is necessary to maintain social harmony. Japanese, Korean, and French governments have protected their farmers, not just

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because they constitute powerful political lobbies but because of a commitment to the countryside as an essential part of the social fabric. The "embedded liberalism" compromise that underpinned post-war economic regimes was a recognition of the conflicting imperatives that governments face. Governments were not to be forced to sacrifice social goals on the altar of free trade.[8] Good politics cannot be reduced to good economics.

A more cynical interpretation of government behaviour is that political incumbents often face short-term non-economic incentives that can override the imperatives of economic liberalization. Politicians are concerned with their re-election and wish to avoid upsetting domestic groups that may suffer short-term damage from trade liberalization.[9] Although free trade may enhance overall societal welfare in the long term, politicians seldom can afford to adopt that time frame. Moreover, politicians and bureaucrats alike may have an interest in creating rents, and then extracting a share from their societal beneficiaries.

A third reason why governments may not implement economic liberalization rests not on their disagreement with the policy prescriptions but rather, using the language of the literature on compliance, on "involuntary defection". That is, governments may accept the logic of the theoretical case and wish to implement trade liberalization but find that powerful interest groups block their aspirations. The large body of literature in economics and political science on collective action points to the likelihood that groups adversely affected by trade liberalization will be more easily mobilized than the winners from freeing trade. Potential losers from trade liberalization will likely be well aware of the costs they will incur. Costs of liberalization are likely to be concentrated among a relatively small number of firms and often in specific geographical regions. In contrast, the beneficiaries of free trade may not be aware of the magnitude of their prospective gains, which are often spread across the economy as a whole (particularly the benefits of lower import prices) rather than being sectorally or geographically concentrated.[10] And even though the logic of the neoclassical case for trade liberalization suggests that the benefits are of a sufficient magnitude that governments can afford to compensate losers and still achieve efficiency gains, governments seldom have credible compensatory schemes in place in advance that will reassure potential losers.

The likelihood that involuntary defection will occur will often depend on differences between various branches of government and on the constitutional separation of powers. Involuntary defection is more probable in a political system where trade policy-making and implementation rests not just in the hands of the executive but is shared with a powerful legislature in which party discipline is weak.

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Such a combination increases the porousness of the polity and renders it particularly vulnerable to pressures from groups adversely affected by trade liberalization.

A final reason why governments may not follow the unilateral trade liberalization prescription of economic theory is that they view their capacity to reduce tariffs or non-tariff barriers as a bargaining chip in international negotiations. Governments may believe that they can achieve even greater gains, possibly not just for domestic welfare but for the world economy as a whole, by making improved access to their own markets conditional on reciprocal action by others. Unilateral action may be good but concerted unilateralism is still better. Such an approach has been the dominant one in international trade liberalization in the post-war years. Although the General Agreement on Tariffs and Trade (GATT) contained no reference to reciprocity as a principle for trade negotiations, the negotiating parties proceeded on the basis that "diffuse" reciprocity should guide their approach to trade liberalization.[11] And GATT's use of the terminology of "concessions" to refer to tariff offers made in negotiations further emphasized notions of reciprocity.

To couch tariff reductions in terms of concessions has irritated most economists, who maintain that the principal gains from such "concessions" will accrue to the economies that make them rather than to their trading partners. Nevertheless, governments have consistently held out for reciprocity, not just because they see it as essential to placate domestic constituencies but because they believe that the overall gains from liberalization can be enhanced when it occurs on a concerted basis rather than unilaterally. Many economists have accepted the political necessity of reciprocity and that co-ordinated action can enhance the contribution of trade liberalization to world welfare.[12] Moreover, the case for reciprocity extends beyond the gains for welfare in the aggregate to considerations of efficiencies at the firm level. Vousden notes that in the contemporary global economy in which many firms enjoy increasing returns to scale, access to foreign markets that enables the realization of scale economies is an important consideration in the negotiation of regional agreements. Such access provides an economic rationale for a preference for reciprocity over unilateral tariff reductions.[13]

The temptations — whether economic or political — that governments have to "cheat" by protecting domestic interests lead most observers to characterize interactions among governments in international trade as a mixed motive situation that often parallels the structure of a "prisoner's dilemma" game.[14] While government leaders generally may wish to collaborate in liberalizing trade, the structure of the domestic incentive system may make it very difficult for them to do

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so. Potential partners, therefore, will always be wary lest the temptations to defect from collaborative behaviour prove overwhelming. The absence of international mechanisms that reassure governments and their domestic constituencies about the likely behaviour of their partners, specifically by reducing their incentives not to give in to pressures for protection, will make it difficult to achieve the co-operative strategy of trade liberalization.

Coping with Opportunistic Behaviour

Given the formidable list of reasons, economic and political, that governments might have for protecting their domestic producers, the puzzle for students of international political economy is redefined. It is less a question of why some protectionism persists than why so much success has occurred in the post-war period in liberalizing international trade. For in the half-century since the Bretton Woods conference that produced a blueprint for post-war international economic regimes until the conclusion of the GATT's Uruguay Round of negotiations, border barriers were reduced to negligible levels for international trade among the industrialized economies. Most less developed economies also significantly reduced their tariffs from the 1980s onwards. To be sure, exceptions to the general trend of liberalization exist. Agricultural production, although subject to GATT/WTO disciplines for the first time by the Uruguay Round agreements, continues to enjoy high levels of protection in most parts of the world. A few sectors in virtually all industrialized economies, most notably textiles, clothing and footwear, are similarly cocooned by a variety of tariff and non-tariff devices. And some less developed economies still impose high levels of tariffs on imported manufactures. None the less, the overall record in trade liberalization in the post-war period is one of remarkable success, particularly when contrasted with the experience of the inter-war years.

To what can this success be attributed? A major factor is the changing configuration of economic interests in domestic politics brought about by the increasing importance of international trade. Trade on average has grown 50 per cent faster than production throughout the post-war era. The consequence is that the share of trade in gross domestic product (GDP) in virtually all economies has risen substantially. Even in the United States, which was often identified as scoring low on indicators of interdependence because of its relative economic self-sufficiency, the share of foreign trade in GDP rose from 8.5 per cent in 1950 to 24 per cent in 1995. Moreover, the composition of trade has shifted dramatically in the post-war era. A move away from the classic pattern of the international exchange of raw materials for manufactures produced a

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sharp rise in intra-industry trade. Globalization of production networks has led manufacturing firms in many countries to depend on relatively low-cost imported inputs and on export markets for an increasing share of their output.

Historically, trade liberalization has been dependent on the rise to political power of interests that benefit from free trade.[15] The growing importance of trade in general, and intra-industry trade in particular, has generated similar responses across virtually all economies, despite these pressures having been mediated by differing configurations of domestic political institutions.[16] Even in Japan, often seen as an outlier in trade policies, the increasing dependence on foreign markets and sources of supply prompted large companies to lobby for trade liberalization.[17] Subsidiaries of giant transnational corporations now often exercise more political influence in home and host countries alike than do domestically-oriented companies.

Changing ideas have accompanied changing interests. In the last quarter century in particular, liberalization has become the hegemonic norm, and protectionism in contrast generally has come to be regarded in the world community as aberrant behaviour. Among less developed economies, populist skepticism about the benefits of engaging with the capitalist world economy gave way to a new enthusiasm for globalization in the 1980s. And as ever, the dominant economic powers in the global economy have been enthusiastic proponents of liberalization — for others, if not always their domestic constituencies. Once liberalization built up momentum, a virtuous circle of changing economic interests supported by a coherent economic and political doctrine came into being.

The WTO's Role

How was the virtuous circle initiated? This is where the international trade regime played a critical role. For most observers, the success of the GATT lay in its combination of flexibility and rigidity.[18] GATT was sufficiently flexible, especially in its escape clauses such as its safeguard provisions, to allow governments in the post-war period to undertake trade liberalization without jeopardizing domestic political and economic stability — the "embedded liberalism" compromise noted above. Yet the rules of the trade regime were also sufficiently rigid that they provided some assurance for trading partners that governments would comply with the liberalization project save in exceptional circumstances.

The WTO's success in large part stems from the following:

- Clearly specified obligations for member economies.

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- Legally-binding commitments.
- Reciprocity, that is, the provision of an equivalent value in trade concessions.
- Non-discrimination and universal application among its 135 member economies.

Clearly-specified obligations facilitated the monitoring of members' compliance with their obligations under GATT. Students of international institutions emphasize transparency and the collection of information as among the most important contributions that international institutions make to furthering international co-operation.

Legally-binding commitments have two principal advantages. First, they permit other states or the organization itself to take retaliatory action in the event of non-compliance (in itself a reassurance mechanism for adversely affected domestic constituencies in trading partners). Perhaps as significant for possible recalcitrant states as the threat of sanctions is the damage to their reputation as reliable partners should they break commitments that are both clearly specified and legally binding.

Secondly, and arguably more importantly, legally binding commitments can help governments resolve what economists call the "political economy" problem that gives rise to "involuntary" defection. The essence of this argument is that all political systems contain a mixture of pro- and anti-trade liberalization groups. Governments often fail to comply with their international obligations not because they are duplicitous but because they are unable to persuade domestic groups of the wisdom of the proposed policies. Defection from collaboration is "involuntary", the product of overwhelming domestic political constraints. A legally binding agreement can help governments to overcome domestic opposition because governments are able to claim in their negotiations with domestic groups opposed to liberalization that their hands are tied by the agreements they have entered into. The claim is more credible if the economy may face sanctions if the government does not comply with its international obligations.

Reciprocity has been at the heart of post-war trade negotiations. Any economist will assert that the emphasis placed on reciprocity in international trade is evidence of economic illiteracy. For all except the largest of economies, unilateral trade liberalization will usually be the best policy. Good economic theory does not necessarily make good politics, however. Four reasons may be adduced. First, without reciprocity, a risk exists that others will attempt to "free ride" on an economy's removal of trade barriers. As noted above, strategic trade theory and the new

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growth theories have indicated that such government-engineered temporary gains could convert to a long-term advantage if domestically-based companies can use protected markets to reap economies of scale and embark on an improved technological trajectory. Even if the risks of governments successfully pursuing strategic approaches to trade are relatively remote, some domestic companies or sectors may be alarmed at the possible advantages that competitors may gain.

Secondly, as noted above, world welfare will be enhanced further if co-ordinated liberalization occurs — if reciprocity induces trading partners to liberalize then it can generate a more beneficial outcome than unilateral liberalization. Thirdly, trade policy is a profoundly political affair. Ultimately, a government's approach has to be acceptable to domestic groups. Here, perceptual and psychological elements come into play. Domestic groups are likely to be more persuaded of the desirability of trade liberalization if the government can point to examples of other economies that are simultaneously making similar "sacrifices". Fourth is the political economy problem again: in constructing pro-liberalization coalitions, governments need support from groups that will benefit from free trade. Usually, these supporters of liberalization are the economy's major exporters. Provisions in trade agreements for reciprocity increase the prospects that these groups will benefit from trade agreements because new export markets will be created, their hand and thus that of pro-liberalization forces in the economy will be strengthened. Without reciprocity, no certainty exists that new export markets will compensate for the potential loss of domestic markets.

Finally, non-discrimination ensures that all economies in the global system will benefit from trade liberalization, thereby maximizing the benefits and minimizing the risks of distortion.

Over the years, the balance between flexibility and rigidity within the GATT/WTO has changed as economies grew rapidly, the tradable goods sector increased in importance, and pro-liberalization ideas gained hegemonic status. The Uruguay Round outcome was a major step forward both in extending the WTO's discipline to new areas including agriculture and services, and in greatly strengthening the regime's dispute settlement mechanisms, which had become the subject of ridicule in the 1980s.

APEC

In contrast to the WTO, APEC is all flexibility and no rigidity. The APEC process of trade liberalization is characterized by:

1. *Lack of clarity of obligations.* Key concepts, such as "free trade", "comprehensiveness", and "comparability", remain undefined.

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Does the Bogor commitment to free trade imply complete elimination of tariffs and non-tariff barriers, or tariffs at less than a certain level — the definition of free trade adopted by the ASEAN Free Trade Area?

2. *Voluntary commitment to goals.* Several East Asian governments have emphasized that their commitments to trade liberalization must be interpreted unilaterally because they have been made voluntarily. Moreover, they assert, APEC's trade liberalization goals must be implemented in a flexible manner, taking into account the "diverse circumstances" of national economies. The Osaka Action Agenda adopted by APEC in 1995 provides no indication as to what criteria would be employed (or by what body) to determine whether flexibility was justified in any particular circumstance. Commitment and flexibility are thus matters of national interpretation rather than the responsibility of the regional institution. With such vaguely-specified commitments, no possibility exists of other member states or the institution as whole applying coercion or sanctions if a party is perceived to have failed to meet the institution's objectives. Moreover, where obligations are unilaterally defined rather than clearly specified by an international treaty, governments' reputations are less likely to be damaged if they adopt a non-cooperative stance. APEC also has no dispute settlement mechanisms — member economies have rejected various proposals to introduce procedures for the adjudication of disputes.
3. *No assurance of reciprocity among member economies* (at least, that is, until 2020, assuming that by that date governments would meet their obligations and that "free trade" would eventually be defined as free trade, commonly understood). The lack of a standard approach in the Individual Action Plans that member economies have prepared as part of the move towards meeting the Bogor commitment of free trade has made it almost impossible to evaluate whether the desired "comparability" of commitments/obligations is being attained. The lack of assurance regarding either simultaneous or phased reciprocity imposes significant political costs. For instance, the U.S. administration faces the near political impossibility of selling to Congress the idea that it should remove all barriers to trade with China by 2010 while U.S. exporters would have to wait for a further ten years before China may (or may not) reciprocate.
4. *Non-discrimination* (assuming the principle of "open regionalism" is maintained). Open regionalism does not require reciprocity from non-member states, however, thereby running the risk that they may free-ride. This is a particular concern to larger member economies,

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especially the United States, which potentially can capitalize on access to their markets to extract concessions from trading partners. At the Kuala Lumpur meeting, U.S. Trade Representative Charlene Barshefsky forcefully expressed the view that the United States would not be able to meet its APEC commitments on trade liberalization unless the European Union made commensurate moves.

The voluntary nature of APEC commitments to trade liberalization may seem an attractive approach if the main barrier to trade liberalization is a principled (and unified) opposition from political élites and bureaucracies. APEC's approach rests on the power of socialization: the exposure of member governments to iterated peer pressure to conform to the norms of trade liberalization. And the growing acceptance of trade liberalization by East Asian governments over the decades is testimony in part to the power of socialization of political élites in the PECC (Pacific Economic Co-operation Council) and then APEC itself.

If, however, the major obstacle to liberalization lies in the opposition of key domestic groups, the disadvantage of a voluntary approach is that it fails to provide any leverage for pro-liberalization forces against these opposition groups. The lack of any certainty about reciprocity in APEC outcomes further compounds the failure of the institution's *modus operandi* to address the domestic "political economy" problem in trade liberalization. Even before the Kuala Lumpur meeting, the limits to an approach to trade liberalization resting primarily on the power of socialization were evident. Not only long-term skeptics of APEC's potential as a force for trade liberalization but one of its most enthusiastic proponents, the Australian economist, Peter Drysdale, acknowledged that APEC would probably be unable to advance trade liberalization in sensitive sectors, where negotiation would best be left to the WTO.[19]

What Future for APEC in Trade Negotiations?

When Australian Prime Minister Bob Hawke proposed in a speech in Seoul in January 1989 that a ministerial meeting be held to promote economic co-operation in the Asia-Pacific region, the model to which he referred was the Paris-based Organization for Economic Co-operation and Development (OECD), the so-called "rich nations' club". This proposal was consistent with the deliberations on Asia-Pacific co-operation that had occurred during the previous two decades, first within PAFTAD and then PECC. Indeed, Hawke's proposals bore a remarkable resemblance to those for an Organization for Pacific Trade and Development (OPTAD). The academic economists Hugh Patrick and Peter Drysdale had refined this concept in a 1979 report commissioned by the U.S. Congressional Research Service.[20]

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OPTAD, however, had first been placed on the regional agenda as early as 1968 by the Japanese economist, Kiyoshi Kojima, and Drysdale.

One of the major objectives for closer economic co-operation among the countries of the Pacific Rim, elaborated by Hawke in his Seoul speech, was support for a successful conclusion to the Uruguay Round of GATT negotiations. His proposal, however, did not envisage that APEC would become a forum for negotiating trade liberalization. Indeed, the OECD, the model suggested for the new Asia-Pacific institution, is not a forum for trade negotiations. Rather, it concentrates on trade facilitation, the collection of data on member countries' economic policies, and the provision of financial and technical assistance to less developed economies.[21] In the first four years after APEC's foundation, however, trade liberalization rose to the top of its agenda. Here, context is important. Uncertainty about the outcome of the Uruguay Round of GATT negotiations gave new momentum to trade liberalization on a *regional basis*. APEC's agenda was transformed in part by pressure from North American and Oceanic countries, which saw APEC as another forum for exerting leverage to open up East Asian markets. Also of considerable import was the work of the APEC Eminent Person's Group, consisting mainly of professional economists, chaired by Fred Bergsten, the energetic head of the Institute of International Economics in Washington.

APEC's contribution to trade liberalization has taken three principal forms. One was the pressure that the very foundation of APEC itself placed on other economic groupings to move forward in global trade talks. Some writers have suggested that the successful outcome of the Uruguay Round can at least in part be attributed to European concerns that a failure of the global talks might lead to APEC being transformed into a discriminatory trading bloc.[22] A second contribution came from the commitment to free trade among member economies by the year 2020, and the increased pressure that this commitment has placed on member governments to move towards liberalized trade. A third contribution, more recently, came from efforts to accelerate trade liberalization in specific sectors. This approach owed much to two factors. One was disappointment with the "Individual Action Plans" drawn up by governments to indicate how they proposed to meet their obligations under the Bogor commitment. Few of the plans committed countries much beyond the measures agreed to in the Uruguay Round. A second was the Uruguay Round agreement itself, which provided only a framework for agreements in services, the details of which were left to be negotiated subsequently sector by sector.

APEC enjoyed its most significant success in sectoral trade liberalization at the Subic Bay meeting in 1996. Following pressure

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from the United States, economic leaders reached agreement there on the elimination of tariffs in trade in information technology products. This agreement was significant in its own right because of the commitment it embodied by all APEC states to move to free trade in one of the most important sectors in world trade (information technology products account for over 10 per cent of total merchandise trade). It was also noteworthy because implementation was made conditional on non-APEC member economies' implementing comparable commitments in this sector. APEC economies would not honour their agreement unless countries accounting for 90 per cent of world trade in information technology products also removed their tariffs. This conditionality met U.S. concerns that other economies, most notably those of the European Union (EU), should not free-ride on APEC trade liberalization. APEC's agreement on information technology, which built on a September 1996 consensus among the ministers of the Quad grouping (Canada, the EU, Japan and the United States) thus directly contributed to global trade liberalization in a particularly important sector.

APEC's subsequent efforts at sectoral trade liberalization have been far less successful, suggesting that characteristics unique to the information technology sector may have facilitated the agreement on trade in these products. Other sectoral negotiations have been marred by squabbles not only over which sectors will be included but also the question of whether the coverage within each sector will be comprehensive, and whether compliance with the proposed liberalization will be a voluntary or a legally-binding commitment. The failure to reach agreement in Kuala Lumpur on two of the sectors identified for accelerated liberalization at the previous leaders' meeting in Vancouver, forestry and fisheries, confirmed APEC's inability to advance trade liberalization in sectors where domestic sensitivities are high. It remains to be seen whether the decision to refer early voluntary sectoral liberalization to the WTO will advance the cause and stimulate world-wide liberalization, or whether it will merely be a move that has saved "face" for the Japanese Government, the principal recalcitrant at the Kuala Lumpur meeting.

As the WTO gears up for its "millennium" round of negotiations, the potential still exists for APEC to play a catalytic role in liberalization. APEC, however, is now but one of several transregional arrangements, some more formal than others, all aimed at trade liberalization and facilitation. Besides the linking of East Asia with North America and Oceania in APEC, East Asia is now linked in a formal relationship with the European Union through ASEM, the Asia-Europe Meeting, and most recently (November 1998), Europe and the United States have agreed on a Transatlantic Economic Partnership (TEP). Involving Europe

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in negotiations with East Asia, but especially with the United States, through the TEP may overcome the free-rider problem that has constrained U.S. fulfilment of its liberalization commitments within APEC.[23] The danger for APEC, however, is that it will lose its significance as a trade liberalization forum should the United States find it easier to reach agreement with Western European economies with which it arguably has much more in common than its East Asian partners in APEC.

For some East Asian governments, the elevation of trade liberalization to the top of APEC's agenda represented a highjacking by "Western" interests and the Eminent Person's Group. Rafidah Aziz, the Malaysian Minister for Trade and Industry, commented in March 1994 that "APEC is slowly turning out to be what it wasn't supposed to be, meaning that APEC was constituted as a loose consultative forum".[24] Rather than a body that would assist in the harmonization of unilaterally determined trade policies, APEC increasingly was being turned into a forum for trade *negotiations*. The Japanese ambassador to the international organizations in Vienna, Nobutoshi Akao, warned that "We must beware lest a coercive bilateralism becomes a coercive regionalism".[25] Some governments, therefore, would welcome a diminished emphasis on trade liberalization within APEC, and a return to its roots — the OECD model of trade facilitation and economic and technical co-operation. This may indeed be APEC's future, but it is one that is likely to generate far less publicity and more modest claims for the institution than it received during its first decade.

NOTES

1. The Asia-Pacific Economic Co-operation grouping (APEC) was established in 1989. The founding members of APEC were the (then) six member states of ASEAN — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand — plus Australia, Canada, Japan, New Zealand, South Korea, and the United States. The "three Chinas" — Hong Kong, the People's Republic of China, and Taiwan — were admitted to APEC in 1991. Mexico and Papua New Guinea joined in 1993, and Chile in the following year. Peru, Russia and Vietnam were admitted at the Vancouver leaders' meeting in 1997 with membership to take effect at the Kuala Lumpur leaders' meeting in 1998.
2. One of the most distinguished of modern trade theorists, Max Corden, concluded a major survey of trade theory with the statement that "It is undoubtedly true that much of the discussion implies that governments could frequently benefit their peoples by removing trade restrictions, perhaps gradually, especially if they replace them with other, more suitable, forms of intervention. But this can hardly be a firm, dogmatic conclusion since there are too many qualifications". W. Max Corden, *Trade Policy and Economic Welfare* (Oxford: Clarendon Press, 1974), pp. 415-16.
3. Rent in this context refers to the income enjoyed by a factor of production in excess of the earnings it would command in alternative employment.

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4. In the now vast literature on strategic trade theory, see especially Richard G. Lipsey and Wendy Dobson, eds., *Shaping Comparative Advantage* (Toronto: C.D. Howe Institute, 1987); Paul R. Krugman, ed., *Strategic Trade Policy and the New International Economics* (Cambridge, Ma.: MIT Press, 1986); Paul R. Krugman, *Rethinking International Trade* (Cambridge, Ma.: MIT Press, 1990); and Anthony J. Venables and Alasdair Smith, "Trade and Industrial Policy under Imperfect Competition", *Economic Policy* 3, no. 1 (October 1986): 621-72.
5. See, for instance, Gene M. Grossman and Elhanan Helpman, "Trade, Innovation and Growth", *American Economic Review* 80, no. 2 (May 1990): 86-91; Giovanni Dosi, Keith Pavitt and Luc Soete, *The Economics of Technical Change and International Trade* (New York: Harvester Wheatsheaf, 1990); Paul M. Romer, "Growth Based on Increasing Returns Due to Specialization", *American Economic Review* 77, no. 2 (May 1987): 56-62; and Paul M. Romer, "Increasing Returns and Long-Run Growth", *Journal of Political Economy* 94, no. 5 (October 1986): 1002-37.
6. Paul Krugman, "Does the New Trade Theory Require a New Trade Policy?", *World Economy* 15, no. 4 (July 1992): 423-43.
7. Kozo Yamamura, "Caveat Emptor: The Industrial Policy of Japan", in *Strategic Trade Policy and the New International Economics*, edited by Paul R. Krugman (Cambridge, Ma.: MIT Press, 1986), pp. 169-209; and Trevor Matthews and John Ravenhill, "Strategic Trade Policy: The East Asian Experience", in *Business and Government in Industrializing East Asia*, edited by Andrew MacIntyre (Ithaca, N.Y.: Cornell University Press, 1994), pp. 29-90.
8. John Gerard Ruggie, "International regimes, transactions, and change: Embedded liberalism in the postwar economic order", *International Organization* 36, no. 2 (Spring 1982): 379-416. Lipson's comments on the GATT expand on Ruggie's argument: "Its fundamental institutional logic — and a crucial source of its political stability — is that it facilitates openness without ignoring domestic aspects of trade policy. There is no commitment to free-trade orthodoxy, and hence no falling away from it". Charles Lipson, "The transformation of trade: The sources and effects of regime change", *International Organization* 36, no. 2 (Spring 1982): 426.
9. "We have tariffs and other economic policy distortions because they are efficient — that is, they are politically efficient. Because they are politically optimal, they are not aberrations, but a necessary part of any reasonable political equilibrium". Stephen P. Magee, William A. Brock and Leslie Young, *Black Hole Tariffs and Endogenous Policy Theory: Political Economy in General Equilibrium* (Cambridge: Cambridge University Press, 1989), p. xiii. Australian public opinion, surely not unique in its attitude towards protectionism, illustrates the incentives that governments face. In 1996, a decade after Australian governments began a policy of unilaterally lowering tariff barriers, 59 per cent of poll respondents either "strongly agreed" or "agreed" with the proposition that "Australia should use tariffs to protect its industry". Only 12 per cent of respondents either "disagreed" or "strongly disagreed" with the statement. *Australian Electoral Survey 1996*, accessed through the Social Science Data Archives, Research School of Social Sciences, Australian National University.
10. The classic source on this issue is Mancur Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965).
11. Robert O. Keohane, "Reciprocity in International Relations", *International Organization* 40, no. 1 (Winter 1986): 1-28; Mark W. Zacher, with Brent A. Sutton, *Governing Global Networks: International Regimes for Transportation and Communication* (Cambridge: Cambridge University Press, 1996).

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12. See, for instance, Richard H. Snape, "Which Regional Trade Agreement?", in *Regional Integration in the Asia-Pacific*, edited by Bijit Bora and Christopher Findlay (Melbourne: Oxford University Press, 1996), pp. 49-63; and Kym Anderson, "On the Complexities of China's WTO Accession", *World Economy* 20, no. 6 (September 1987): 752. On the political importance of reciprocity, compare Robert Triffin:

> ... progress toward freedom of trade and payments can hardly be achieved, and particularly consolidated, by unilateral national action. This has long been recognized in the tariff field, and has prompted both bilateral and multilateral negotiation of tariff agreements, binding the partners to *simultaneous* and *reciprocal* commitments. We cannot rely on Platonic appeals to international cooperation to prevail upon the national interests which are necessarily the first preoccupation of national governments. Desirable tariff action can only be made attractive, and undesirable action unattractive, from the national point of view through a system of collective agreements making the benefits of trade liberalization for each country dependent on its own trade policy toward the others.

Robert Triffin, "Economic Integration: Institutions, Theories, and Policies", *World Politics 6*, no. 4 (July 1954): 531.

13. Neil Vousden, *The Economics of Trade Protection* (Cambridge: Cambrdige University Press, 1990), pp. 244-46.
14. See, for instance, Arthur Stein, "Coordination and Collaboration: Regimes in an Anarchic World", *International Organization* 36, no. 2 (Spring 1982): 308; Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984), p. 7; Stephen D. Krasner, *Asymmetries in Japanese-American Trade: The Case for Specific Reciprocity* (Berkeley: Institute of International Studies, University of California, 1987); Kenneth W. Abbott, "The Trading Nation's Dilemma: The Functions of the Law of International Trade", *Harvard International Law Journal* 26, no. 2 (Spring 1985), pp. 501-32. In the real world, where interactions are repeated, and where the spectrum of behaviours is more complex than a simple dichotomy of co-operate/defect, it is by no means the case that interactions in the trade field will always be characterized by a "prisoner's dilemma" structure. In the absence of reassurance mechanisms provided by international regimes, however, the possibility of opportunistic behaviour is much stronger. Uncertainty itself is a major factor inhibiting co-operative behaviour.
15. Charles P. Kindleberger, *The World in Depression 1929-39* (Berkeley: University of California Press, 1973).
16. Helen Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton, N.J.: Princeton University Press, 1988).
17. Hidetaka Yoshimatsu, "Economic Interdependence and the Making of Trade Policy: Industrial Demand for an Open Market in Japan", *Pacific Review 11*, no. 1 (1998): 28-50.
18. Barry Eichengreen and Peter B. Kenen, "Managing the World Economy under the Bretton Woods System: An Overview", in *Managing the World Economy: Fifty Years After Bretton Woods*, edited by Peter B. Kenen (Washington, D.C.: Institute for International Economics, 1994), pp. 3-57.
19. Peter Drysdale, "APEC and the WTO: Complementary or Competing?" (Paper presented to the APEC Roundtable 1997: APEC — Sustaining the Momentum, Singapore, 1997).
20. Hugh Patrick and Peter Drysdale, *An Asian-Pacific Regional Economic Organization:*

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An Exploratory Concept Paper (Washington, D.C.: U.S. Government Printing Office, prepared for the Senate Committee on Foreign Relations by the Congressional Research Service, Library of Congress, 1979).

21. Sylvia Ostry, "APEC and Regime Creation in the Asia-Pacific: The OECD Model?", in *Asia-Pacific Crossroads: Regime Creation and the Future of APEC*, edited by Vinod K. Aggarwal and Charles E. Morrison (New York: St. Martin's Press, 1998), pp. 317-50.
22. C. Fred Bergsten, "Open Regionalism", *World Economy* 20, no. 5 (August 1997): 545-65.
23. See Andrew Elek, *Open Regionalism Going Global: APEC and the New Transatlantic Economic Partnership*, Pacific Economic Papers No. 286 (Canberra: Australian National University, 1998).
24. Speech at the PECC X General Meeting in Kuala Lumpur, *New Straits Times*, 24 March 1994, quoted by Hadi Soesastro, "APEC's Institutional Development from an ASEAN Perspective", in *Indonesian Perspectives on APEC and Regional Cooperation in Asia Pacific*, edited by Soesastro (Jakarta: Centre for Strategic and International Studies, 1994). This interpretation is consistent with the understanding of the Australian Department of Foreign Affairs and Trade at the time of APEC's founding on how APEC would operate: "There is a widespread regional agreement that the process of regional cooperation should avoid the type of policy co-ordination that imposes prescriptive conditions on participants". Department of Foreign Affairs and Trade, *Asia Pacific Economic Co-operation: Preliminary Submission to the Joint Committee on Foreign Affairs, Defence and Trade* (Canberra: Department of Foreign Affairs and Trade, 1989), p. 11.
25. Nobutoshi Akao, "Strategy for APEC: A Japanese View", *Japan Review of International Affairs 9*, no. 3 (Summer 1995): 173.

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Indonesia's Role in ASEAN: The End of Leadership?

ANTHONY SMITH

Economic and political crisis in Indonesia has had a marked impact on Indonesia's ability to participate fully in international affairs, including its relations with Southeast Asia and its participation within ASEAN. In the past, Indonesia has been described as the leader of ASEAN, and it can be shown that Indonesia has had a marked impact on the formation of, and developments within, ASEAN. The economic crisis, questions over Indonesia's political stability, forest fires, bilateral disputes between ASEAN's member states and so on have all taken their toll on ASEAN's cohesion. While ASEAN remains an important regional body, clearly Indonesia's leadership of the grouping has been tested and found wanting.

Introduction

This article will examine Indonesia's role within the Association of Southeast Asian Nations (ASEAN) in the light of the ongoing political and economic crisis that has afflicted Indonesia. To examine the role Indonesia seeks to play in ASEAN, it is important to examine Indonesia's foreign policy context, including a brief history of its involvement with ASEAN. A more detailed account will then be given of recent developments within ASEAN, including the forest fire problem, the financial crisis, membership enlargement, and the emerging debate over the traditional "non-interference" principle. Some comment on the recent Sixth ASEAN Leaders Meeting in Hanoi is also necessary. The article will conclude with some commentary on the implications of recent

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political and economic problems for Indonesia's status and role within ASEAN, together with some cautious forecasting.

It is important to note that ASEAN's great success was to achieve security by preventing the Balkanization of Southeast Asia. Whether ASEAN can go beyond this achievement remains an open question. The recent currency crisis has had some profound implications for the Asian region. Indonesia has been affected greatly by political and economic crisis. Its capacity to play a role in the wider region has come into question following events surrounding the leadership succession in May 1998. This has come at a time when ASEAN is regarded by many observers as being irrelevant to the troubles in the region, of which Indonesia's crisis is a large factor.

While Indonesia's domestic problems have left it unable to lead ASEAN at present, Soeharto's departure has coincided with a series of open public criticisms by ASEAN leaders of other fellow members. To understand Indonesia's future role in ASEAN, a series of questions must be examined: Will Indonesia continue to enforce "non-interference" in the post-Soeharto era? Or will the Habibie administration favour Thailand's proposed "flexible engagement" whereby comments on member states' internal affairs becomes permissible? Will ASEAN flag in its ability to undertake political and economic initiatives now that Indonesia's foreign affairs capability is significantly reduced? Have recent events in Southeast Asia strained bilateral relations between Indonesia and its neighbours to the extent that ASEAN will now become less cohesive? The answers to these questions are difficult to know in entirety; however, certain trends can be seen emerging. Most crucial of all, and a question that nobody can answer, is the future stability of Indonesia as a state, given its importance to the Southeast Asian region.

Indonesia's Foreign Policy Context

Soon after Indonesia's independence, Vice-President Mohammad Hatta characterized its foreign policy as "free and active" (*bebas aktif*), a guideline that continues to this day. Essentially, this implied non-alignment and equidistance between the superpowers. Non-alignment became the core of Soekarno's foreign policy, which was part of Indonesia's opposition to the colonial nations and fear of neo-colonialization through international trade and commerce. Soeharto's emergence as leader in 1966 marked a change in foreign policy, but not in its underlying assumptions about the role that Indonesia should play in the region. Soekarno and Soeharto espoused the same notion of regional and global influence but sought their goals in different ways. Indonesia's policy-makers maintain a belief that it should play a wider

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regional, and ultimately global, role. However, Soeharto's "New Order" made some important changes to foreign policy outcomes. Broadly speaking, Soeharto established three spheres of influence. The first was the West, primarily for trade, investment and assistance links. Soeharto's initial concern was to improve Indonesia's economic prospects; aid, trade and investment from the developed world was the only way to achieve this. The second sphere of influence was within the developing world, primarily within the Non-Aligned Movement (NAM). Soekarno's hosting of the Afro-Asian Conference in Bandung in 1955 was a precursor to the formation of NAM and marked Indonesia's intention to play an active role. Indonesia's "absorption" of East Timor strained relations with many members of the Non-Aligned Movement; however, Soeharto still regarded Indonesia as an important leader and advocate of the developing nations. The third sphere of influence is Southeast Asia and its regional organization, ASEAN. With Soeharto's accession to power, the revitalization of bilateral relationships with many Southeast Asian countries occurred. It is in this context that the normalization of relations with Malaysia and the end of the "Confrontation" was necessary as an important precursor to the formation of ASEAN. Indonesia's foreign policy shift embraced a similar framework to other Southeast Asian nations who were both non-communist and anti-communist. However, a regional body was needed to play a more active role of assurance that Indonesia had dropped its more radical approach.

An earlier attempt to establish a regional organization between Thailand, Malaysia and the Philippines — the Association of Southeast Asia (ASA) — had become moribund because of the Malaysia–Philippine dispute over Sabah. Another nascent regional organization between Malaya, the Philippines and Indonesia (Maphilindo) had fallen apart during the *Konfrontasi* (Confrontation). With war in Indochina approaching its apex by the late 1960s, and internal communist insurrection in most of the rest of Southeast Asia, internal stability and national resilience had become a substantial objective. From Indonesia's point of view, Southeast Asia could be less reliant on external powers for its security. Therefore, Indonesia's original motivation to establish a regional organization with its immediate neighbours can be summarized into three broad categories: (1) desire for normalcy in its relations with the non-communist nations of Southeast Asia; (2) the need for domestic stability; and (3) less reliance on external powers for regional security.[1]

The first phase of the New Order's foreign policy was marked by its modest aims, and securing good working relations with the non-communist nations of Southeast Asia was a vital intermediate term goal. From its creation, ASEAN was to be the most important element of Indonesia's foreign policy, particularly during Soeharto's

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first two decades. From the beginning, it can be seen that Indonesia took a leading role in the composition of the new proposed regional organization in Southeast Asia. In a move that foreshadowed recent membership expansion, Indonesia tried to interest Burma and Cambodia to join but it was unsuccessful. Instead, on 8 August 1967, Indonesia, the Philippines, Malaysia, Singapore and Thailand became the founding members of the Association of Southeast Asian Nations with the signing of the ASEAN Declaration in Bangkok. Within this new organization, Indonesia continued to stress non-alignment and a general interest in removing great-power competition from the region. This was clearly in continuity with Indonesia's post-independence policy. With Indonesia's goal of removing external interference, ASEAN, for Indonesia, was a way of improving Southeast Asia's resilience to instability while it worked to realize its own pretensions of a greater power status. This is still a long-term goal in Jakarta, but now significantly hampered by the political and economic crisis in which it currently finds itself.

Despite the ASEAN Charter's stress on economic and social co-operation, ASEAN's primary success was as a diplomatic community. It established the tacit agreement that member states would respect one another's sovereign territory, codified in the Treaty of Amity and Co-operation. This had the effect of laying aside a number of open disputes between member-states over territory. In the wake of the ongoing war in Indochina, ASEAN played a role in enhancing regional resilience. The 1971 Declaration of ASEAN Concord — or the Zone of Peace, Freedom and Neutrality (ZOPFAN) — was signed in Kuala Lumpur and codified political solidarity and the desire to remove great power competition from the region. As a Malaysian idea, ZOPFAN was initially opposed by Indonesia; however, this agreement fitted Indonesia's policy of removing external powers and gradually it was both accepted and promoted. For Indonesia, it also meant that its Southeast Asian neighbours would be more stable and a more effective buffer to the communist threat in the north. Indonesia, in line with its belief in removing "great power" competition from Southeast Asia, proposed the Southeast Asian Nuclear Weapons Free Zone (SEANWFZ) in 1983. The NWFZ was part of the Manila Declaration of 1987 that came out of the Summit, but the agreement was shelved after U.S. opposition.

Forging a diplomatic community was particularly important during the Vietnamese invasion of Cambodia in 1979, when, despite differences, the ASEAN members opted to support Thailand's foreign policy and oppose Vietnam. ASEAN solidarity modified Indonesia's foreign policy to some extent, given that Jakarta viewed China as more of a threat. Indonesia and Malaysia, as dissenters in private, established the Kuantan

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Doctrine whereby Vietnam would be encouraged to disengage itself from the Soviet Union in order for ASEAN to alter its recognition policy. Publicly, all members agreed to follow Thailand's foreign policy and recognize the anti-Vietnamese resistance forces. At the end of the Cold War, Indonesia played a crucial role in organizing United Nations-supervised elections and normalizing relations with both Cambodia and Vietnam. ASEAN was extremely successful in the co-ordination of policy towards a third country, but positive integration measures have been slow in coming. This reflected Indonesia's influence, which favoured regional resilience but resisted functional integration.

Therefore, ASEAN's greatest successes to date, the 1992 ASEAN Free Trade Area (AFTA) notwithstanding, have been in diplomatic co-ordination. This does not require domestic integration and has suited Indonesia's strategy of economic nationalism, whereby economic reforms were taken out of absolute necessity, but much of Indonesian commerce was sheltered to protect infant industries. The 1977 ASEAN Foreign Minister's decision to create the Preferential Trading Arrangements (PTA) failed to achieve significant integration. Economic integration did not square with Soeharto's New Order, which was mercantilist in its outlook. Attempts to open Indonesia's market were seen by the Indonesian political élite as attempts to exploit Indonesia's huge market-place for very little return. ASEAN can only achieve integration through unanimous consensus, and its lack of enthusiasm for economic integration slowed regional free trade to an elephantine period of gestation. Past ASEAN initiatives were usually broadly in alignment with Indonesian concerns. The emphasis on a diplomatic community and the neglect of economic and social integration mirrors Jakarta's interest in the region. ASEAN's treaties reflect the foreign policy goal of improving regional resilience and limiting, and ultimately ending, the influence of foreign powers in the Southeast Asian region.

Challenges to ASEAN

A number of challenges have occurred within the ASEAN region. Indonesia has played a large part in the growing uncertainty surrounding Southeast Asia. Indonesia's domestic instability and its impact on foreign policy, Indonesia's forest fires, the financial crisis, membership expansion, regional security, and an emerging ideological debate over "flexible engagement" formed the background to the Sixth ASEAN Summit in Hanoi in December 1998, where there was disagreement over the admission of Cambodia. All of these difficult issues have direct implications for Indonesia's role within Southeast Asia.

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Domestic Situation

The crisis of 1998 caused economic and political chaos for Indonesia that, in turn, resulted in some serious problems for the region. Indonesia's gross domestic product (GDP) contracted by 15 per cent in FY1998, investment in 1998 was 50 per cent of 1997 levels, the FY1998 budget deficit amounted to 8.5 per cent of GDP, and the rupiah plummeted more than ten times its 1997 value.[2] Continuing uncertainty over B.J. Habibie's nomination as Vice-President in January did not assist this.[3] Unemployment now hovers at 20 per cent, in a clear indication that the economic gains of the New Order regime have been unravelled, returning to the same economic levels of the mid-1970s. Indonesia's failing economy immediately brought pressure to bear on Soeharto's leadership. These events have demonstrated a number of problematic domestic factors to Indonesia's neighbours:

- An inability to cope with economic problems which have had a knock-on effect on other Southeast Asian countries
- The potential inability to control a mass outbreak of unrest. This has included the prospect of inter-communal violence in the provinces, particularly in places such as Ambon, Kalimantan, East Timor, Irian Jaya and Aceh.
- A disturbing anti-Chinese element within both the army and the wider society, which has caused the flight of capital and skills, damaged relations with China, and caused consternation in Singapore.[4]
- The nature of Indonesian Islam has also been questioned, in that not all Muslim groups seem convinced of the importance of a *Pancasila* (pluralistic) society.

Restoring Indonesia's image in the world, and with neighbouring countries is now highly important, and this includes dealing with human rights abuses from the past. Enormous pressure is now mounting on Indonesia, from the West and from Asia, to overcome past human rights abuses. For example, Muslim groups, inside and outside Indonesia, are alarmed by reports of atrocities against Muslim activists in Aceh. Considerable progress has been made in relations with the West now that Habibie is willing to discuss either greater autonomy or possible independence for East Timor. The dramatic lesson to the Southeast Asian community is that the "strongman" model of government, which put economic development at the core of legitimacy and deliberately depoliticized society, became a spectacular failure and source of weakness for Indonesia in the late 1990s. This has created a great deal of uncertainty and lack of confidence in Indonesia's stability for the long-term.

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The key question is: can Indonesia remove the causes of the recent difficulties so that they do not resurface? Authoritarianism, economic mismanagement and corruption, lack of politicization, and simmering ethnic tensions all played a part in Indonesia's political and economic crisis. Unless the Habibie administration can begin to address these issues, the question will remain over Indonesia's stability and ultimately its role as "leader" of ASEAN. It will take some years of rebuilding for Indonesia to achieve the same dominance over ASEAN that occurred during Soeharto's tenure. The economic and political crisis in Indonesia has raised questions over Indonesia's stability and this ultimately places restrictions on the Habibie government's ability to play an active foreign policy role. From the beginning of 1998, when Soeharto was still in control, Indonesia's foreign policy was dominated by considerations of averting a wider economic crisis, and this remains the case. A large number of international visitors arrived in Jakarta prior to Soeharto's departure from office.[5] All of these visits were to discuss the problem of Indonesia's looming crisis, with special attention centred around Jakarta's unwillingness to implement the IMF (International Monetary Fund) reforms and thereby, in the eyes of the United States in particular, strike at the causes of economic turmoil. There was widespread concern following the stand-off between Indonesia and the IMF concerning conditionality. During Habibie's term as Minister of Research and Technology, he was viewed by the foreign media, and a good number of foreign governments, as a somewhat eccentric character. Dewi Fortuna Anwar, now an adviser to the President on foreign affairs, claims that Habibie has good internationalist credentials: "As a reputable scientist, he has a comprehensive understanding of globalization. He is also more democratic, warmer and has less links with the military's past records."[6] However, Habibie's credibility rests on the support of three groups: Golkar under the chairmanship of Akbar Tanjung; the technocratic ministers led by Economics Minister, Ginanjar Kartasasmita; and the armed forces, under General Wiranto. The Ginanjar group in the Cabinet had stated that Habibie would not be a long-term leader, but an endorsement in February 1999 from Golkar has made Habibie's position stronger. As a leader at ASEAN meetings, he has not made the mark as a senior ASEAN "power-broker" in the sense of dominant political personalities and senior statesmen like Soeharto, Lee Kuan Yew, or Mahathir.

Continuing unrest in Indonesia will have major ramifications for Indonesia's international outlook, including its relations with the rest of ASEAN. The continuing social chaos raises the nightmare scenario of a complete breakdown in the functioning of the Indonesian state. A break-up of the Indonesian state and the resulting outflow of

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refugees to surrounding nations, threatens regional security. While Indonesia is forced to look inwards, its attention, and its capacity, will be diverted away from the international arena. The kind of activist policy pursued by Soeharto in the latter part of his tenure is now no longer sustainable for the above reasons. It is no longer accurate to describe Indonesia as the "leader of ASEAN". This responsibility has been abdicated, but there is no obvious successor. This has resulted in a more level playing field within the organization, but it has also led to the lack of decision-making capacity to cope with the region's problems. With Indonesia's ongoing domestic problems, ASEAN is going to be important to Indonesia to gain both international legitimacy and some measure of international strength through unity. Yet, at the same time, Indonesia must improve its domestic situation to regain the confidence of the organization.

Forest Fires

A very serious challenge to Southeast Asian regionalism came with the massive forest fires in Sumatra and Kalimantan in 1997 and 1998. These fires were made worse because of malpractice by companies with links to the Soeharto family. Soeharto had called these fires a "natural disaster", implying that they had occurred spontaneously, but they were the result of mismanagement, over-logging, and the deliberate attempt to clear land for palm oil and other crops.[7] Indonesia's inability, or its unwillingness, to control the fires caused serious strains in ASEAN. The 1997 fires, involving 750,000 hectares of forest, drew severe criticisms from the public and the media in a number of ASEAN countries, particularly those affected by the resulting smog, and which cost the region an estimated US$1.38 billion in health costs and lost tourism revenues.[8] Soeharto's response was to offer an apology, but there was lingering suspicion that Indonesia was not doing as much to control the blaze as it could have done. The smog reached Brunei, Malaysia, Singapore, and to a lesser extent, the Philippines and Thailand, causing 200,000 people to seek medical treatment.[9] Although Indonesia's neighbours suffered in silence,[10] this event caused serious strains on relationships within ASEAN. It also raised a question mark over Indonesia's ability to control domestic problems that might spill over into other countries.

In December 1997, the ASEAN environmental ministers put together a Regional Haze Action Plan, in which Singapore would assist with monitoring,[11] Malaysia with fire-fighting methods, and Indonesia would improve its capability to tackle this problem. But the financial crisis has weakened Indonesia's ability to tackle future forest fires and educate the public about the dangers of burning off the land. The grouping

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was forced to call upon the assistance of the United Nations Emergency Program (UNEP) to help solve the problem. This event has not only undermined Indonesia's credibility within ASEAN but it has also challenged two ASEAN concepts. The first is "non-intervention", which was eroded as the public and the media in ASEAN countries were openly critical of Indonesia. The creation of the Regional Haze Action Plan, a component of which involves outside monitoring, also challenges the doctrine of not commenting on the domestic affairs of others. The second notion is the traditional ASEAN resistance to further integration, which was re-examined in the light of the "smog problem", which failed to respect boundaries and became a regional problem — equally, this applies to gross human rights violations, refugees, civil war, and so on.

Financial Crisis and Economic Integration

Favourable noises emanating from Jakarta about trade liberalization through the Preferential Trading Arrangements (PTA, 1977), the ASEAN Free Trade Area (AFTA, 1992) and APEC's (Asia-Pacific Economic Co-operation) Bogor Declaration (1994) were completely undermined by the reality of Indonesia's statist industrial policy. Indonesia, as the largest Southeast Asian country, and most influential member of ASEAN, holds the key to further economic integration. However, due to a conviction of statist policies and nepotism within the Indonesian economy, greater market liberalization was not viewed seriously by the Soeharto administration. Economic integration, whether regional or global, is not something Indonesia has wished to pursue with any great haste.

The economic crisis initially seemed to work against further integration, with intra-ASEAN trade declining by nearly one-fifth (19.5 per cent) to US$15 billion in the first quarter of 1998. ASEAN Secretary-General, Rodolfo Severino, admitted in late 1998 that the ASEAN countries would have to rely on internal market reform and the export markets of developed nations rather than intra-ASEAN trade to end the recession. This led many to conclude that not only would regional trade be undermined but that the region might retreat to economic nationalism. ASEAN has not been able to provide the solutions to the financial crisis but it has established a surveillance mechanism to monitor economic performance and policy. Given the divisions within ASEAN on how to run economic matters, such a mechanism is only going to be a "talk shop" at best. However, once again it opens the back door for open discussion and comment on the domestic affairs of another ASEAN member state. The reality is that "non-interference" has again been challenged.

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As mentioned earlier, Indonesia's reluctance for trade liberalism has acted somewhat as a brake on economic integration within ASEAN. Ironically, the financial crisis in Indonesia has strengthened AFTA. IMF conditionalities have forced Jakarta to cut tariffs, reform the banking laws, end subsidies, remove favouritism to key industries, and so on, which mean that Indonesia is now a much freer economy. Thailand has been through a similar process in order to secure IMF backing. Changes for both Indonesia and Thailand mean that AFTA will be achieved on time, even if as a by-product of wider agreements. This has made the process less subject to dramatic policy turnarounds from Indonesia, which was the case under Soeharto.[12] The economic crisis has significantly altered Indonesia's position within AFTA. While the region as a whole is more attentive to solving the financial crisis than furthering the AFTA process, the way is now surely paved for greater integration within ASEAN once growth has returned to the region.

Membership Expansion

Indonesia has been committed to the expansion of ASEAN to include the entire region of Southeast Asia since ASEAN's inception.[13] Consideration that its own power may be diluted by a larger regional organization is offset by the desire to build a more formidable grouping of countries. Some scholars have raised the issue of Indonesia's traditional fear of Chinese influence as a leading reason for widening the membership base.[14] The original intention of ASEAN was to create a regional organization that encompassed the whole of Southeast Asia, and with the eventual admission of Cambodia at an unspecified future date, the grouping will be "complete" at ten. Essentially, ASEAN's expansion enables ASEAN to prevent the interference of outside powers in the region, a fundamental Indonesian foreign policy plank. The inclusion of Vietnam in 1995 seemed to commentators as an astounding turnaround for ASEAN, but with much changed geopolitical circumstances concerning Cambodia and the historically good relations between Indonesia and Vietnam, membership was forthcoming. Indonesia's role in ASEAN extending membership to Vietnam was crucial and fitted Jakarta's goal of strengthening regional resilience.

However, membership expansion has brought a substantial cost to ASEAN and Indonesia's leadership role within it. ASEAN's much vaunted consensus decision-making apparatus will now become more difficult to achieve with a wider diversity of opinions. The inclusion of Myanmar, in particular, has been problematic because of the military government's refusal to alter course and the resulting international

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condemnation. The Asia-Europe Meeting (ASEM) and the ASEAN-Europe Meeting have been troubled by the objection of a number of European governments to the presence of Myanmar's ruling generals. For Myanmar, its relations with ASEAN under the doctrine of "constructive engagement" and subsequent membership of the organization have afforded it a measure of international recognition. For Indonesia, and the other members of ASEAN, it has left them in the unenviable position of having, *ipso facto*, to defend Myanmar's right to participate in world affairs. However, ASEAN has achieved a measure of success in urging renewed dialogue between the SLORC and Aung San Suu Kyi.[15]

The status of Cambodia shows the problematic nature of accepting member states with unacceptable human rights records. Cambodia's planned admission (together with Laos and Myanmar) in 1997 was suspended when Second Prime Minister, Hun Sen, ousted First Prime Minister, Prince Ranariddh, in a coup. ASEAN was, however, able to assert its influence on Hun Sen to allow the return of Prince Ranariddh to Cambodia the following year for the election process. The Philippines, Indonesia, and Thailand, as part of the international ginger group "Friends of Cambodia",[16] were instrumental in urging Ranariddh's participation in the elections and ultimately his involvement in the formation of a new government.[17] This demonstrated that ASEAN was able to influence Cambodia more effectively while it was outside the organization than if it had already gained the prize of membership (witness Myanmar's refusal to make concessions on political changes). A noticeable split within the ASEAN grouping occurred over the proposed admission of Cambodia in December 1998. The Thai Foreign Minister, Surin Pitsuwan, stated that Cambodia could not be admitted to ASEAN until there were assurances over Cambodia's stability.[18] Thailand has much to fear from instability in Cambodia as 64,000 refugees crossed the Thai border during Hun Sen's coup in July 1997. With the potential for instability in both Cambodia and Myanmar, Thailand can be justified in considering that domestic issues in these countries can cause neighbouring nations considerable difficulty. Prior to the expansion of ASEAN in the 1990s, all of the members were generally pro-Western and claimed to be democracies of varying kinds. The expansion of ASEAN, and emerging ideological differences between the members, threaten to cause polarization within the grouping. Indonesia seems to be moving away from the soft authoritarian camp, which could, in the long term, alter the composition of ASEAN: It also raises the spectre of ideological disagreement with the remaining authoritarian member states.

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Security

ASEAN has been instrumental in regional stability. Now that Indochina has ceased to be a security concern, although Cambodia remains an internal stability concern, new threats are perceived in the South China Sea and China's emerging regional role. As Leszek Buszynski has pointed out, ASEAN recognizes that it cannot resolve security in the Asia-Pacific on its own,[19] and this was clearly the impetus behind the creation of the ASEAN Regional Forum (ARF). The ARF was set up as an informal body to discuss security matters and engage in preventive diplomacy. Indonesia under Soeharto played a leading role in attempting to mediate regional conflicts both within and outside the ARF process. Since Indonesia became embroiled in economic and political uncertainty, its ability to play this role has been seriously diminished. For Indonesia, in particular, there has been a general run down in the armed forces' budget.[20]

Two important security concerns in the region demonstrate Jakarta's waning influence. Firstly, since 1990 Indonesia has hosted a series of workshops on the Spratly Islands dispute. The most serious issue at the moment is the dispute between China and the Philippines over Mischief Reef. In 1998, China began to build permanent structures on the reef. The extent to which the Spratly Islands dispute has fallen off the Indonesian and ASEAN agenda was evident at the Sixth ASEAN Summit in Hanoi in December 1998, when the issue was largely avoided.[21] Clearly, the economic crisis has left most ASEAN states (except Singapore) without the wherewithal to "modernize" their armed forces, and good bilateral relations with China are now valued in the light of China's role in not exacerbating the crisis. China has gained substantial kudos for not devaluing its currency. Clearly, Indonesia is not playing the mediation role that it used to. Secondly, an important issue for the Philippines has been Indonesia's assistance with the Moro insurrection in Mindanao. A question mark now hangs over Indonesia's ability, or desire, to play a role in this dispute at the moment.

Flexible Engagement

ASEAN is reported to be founded on the much celebrated twin concepts of *musyawarah* and *mufakat* (consultation and consensus),[22] or as an Asian method of establishing a regional organization. Since the downfall of ASEAN's most senior and respected leader, Soeharto, will these concepts continue to remain so strong? Soeharto as senior member and leader of ASEAN's largest country insisted on consultation, consensus and non-interference in each other's affairs. With Soeharto's departure from ASEAN's leadership circle, the diminished capacity of the Indonesian state has reopened the whole issue of how ASEAN members ought

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to relate to each other. Soeharto actively promoted non-interference in each other's affairs, which included refraining from comment within the ASEAN context — a notion supported by Singapore and Malaysia. The Thais have been particularly active in promoting a modification to the way in which ASEAN conducts its affairs. Perhaps mindful that the domestic situations in Myanmar and Cambodia could have an impact on Thailand, Prime Minister Chuan Leekpai has expressed an interest in a greater openness. Thailand's Foreign Minister, Surin Pitsuwan, suggested at the annual foreign ministers meeting in July 1998 in Manila that "flexible engagement" be adopted, a notion opposed by Malaysia and the newer authoritarian members. An agreement was reached whereby ASEAN would now engage in "enhanced interaction". This compromise wording barely covers the fact that there remains division over how far this interaction should go.

Apart from discussion of "flexible engagement" and suggestions that the arbitrary distinction between domestic and regional issues be dropped, a number of bilateral disputes have occurred between the member states. Most seriously, this has affected what commentators describe as the "strategic core" of ASEAN: Indonesia, Malaysia, and Singapore.[23] While these bilateral disputes lie outside the ASEAN framework, bitterness in these relationships spills over into multilateral relationships. It is worthwhile noting some of the more serious disputes between the member states.

Bilateral relations within ASEAN are, in some cases, at an extremely low point. First, the Malaysia–Singapore relationship has been strained by unflattering revelations about prominent Malaysian political leaders in Singapore's Senior Minister's book *The Singapore Story: Memoirs of Lee Kuan Yew* (1998), which drew strong protest from the Mahathir administration. Relations between Malaysia and Singapore were already strained over Singapore's wish to move Malaysian customs from the Tanjong Pagar railway station in Singapore to Woodlands, nearer the border, Malaysia's refusal to extend a water agreement beyond 2061, and Malaysia's revocation of blanket clearance to the Singapore air force transiting through Malaysian airspace.

Secondly, and with more relevance to Indonesia's role within ASEAN, there is obvious tension at the personal level between the leaders of Singapore and Indonesia, as well as some underlying structural problems. In ASEAN circles, rumours circulate that Malaysian and Singaporean officials had lobbied Soeharto not to appoint Habibie as his Vice-President. This would account for Habibie's somewhat off-hand attitude to both countries at this point in time. This situation was compounded in February 1998 when Lee Kuan Yew commented, seemingly in a throw-away line, that the financial markets would react

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unfavourably to Habibie's appointment. The fact that this may have been a descriptive rather than normative statement was overshadowed by a somewhat hostile reaction from Habibie and his supporters.[24] The Singaporean media has given much attention to the plight of the ethnic Chinese in Indonesia, and this has coloured Singaporean perceptions of its giant neighbour. In response to perceived criticism of the ethnic Chinese situation in Indonesia, Habibie stated in February 1999 to the *China Times* that "in Singapore if you are a Malay, you can never become a military officer. They are the real racists...". Furthermore, there is an underlying assumption among Indonesian policy-makers that Indonesia has had to look beyond ASEAN to mobilize resources to cope with its economic crisis, and that Singapore in particular has failed to provide assistance.[25] Singapore did try to set up a US$5 billion multilateral trade credit guarantee scheme, which failed to get off the ground following a disagreement over the conditions. Singapore wanted guarantees in place to prevent the money being used "unwisely", while Indonesia regarded the conditions as far too difficult to accept. Singapore's assistance has been limited to a bilateral gas agreement and modest amounts of development assistance, money and food aid. Another source of contention is that Indonesia, spearheaded by the Indonesian Minister of Co-operatives, Adi Sasono, wants Singapore to sign an extradition treaty to bring back "economic criminals" who fled Indonesia during 1998.[26]

Thirdly, the trial of former Malaysian Deputy Prime Minister, Anwar Ibrahim, on charges of improper sexual conduct and obstruction of justice, has also caused tensions. President Habibie expressed concern over the plight of his "friend", and President Joseph Estrada of the Philippines has met with members of Anwar's family, namely, his wife, Wan Azizah, and his daughter, Nurul Izzah. Estrada has publicly called for better treatment of Anwar. For the current Indonesian leadership, the trial has an added personal dimension. Habibie, and several of his Cabinet ministers and senior advisers, had enjoyed close personal links with Anwar, and his trial has brought them a measure of personal anguish. Anwar had maintained close links with members of the Indonesian élite as his Institute for Policy Research has links to Indonesia's Centre for Information and Development Studies (CIDES) and the influential Muslim scholar organization, Ikatan Cendekiawan Muslem se Indonesia (ICMI). This has given Anwar Ibrahim close personal ties to President Habibie, Co-operatives Minister Adi Sasono, and leading opposition figure, Amien Rais. Therefore, concern over Anwar's treatment is unlikely to abate, whoever is in power in Jakarta in the medium term.

While there have always been bilateral disputes between the ASEAN member states, currently several of these component relationships are

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seriously damaged. This will ultimately affect ASEAN's ability to cohere as a grouping. While bilateral arguments and disagreements are distinctly different from "flexible engagement" at the ASEAN level, in practice Soeharto's departure has weakened the old rules. Although there were occasions when leaders criticized each other, this was generally kept to a minimum. Open comment of neighbouring countries is now commonplace, and Habibie's publicly expressed difficulty over an aspect of Malaysian internal affairs, namely, the Anwar trial, was unthinkable in Soeharto's time. While other countries may still argue for the old rendering of "non-interference", such as Malaysia and Singapore and the newer members, in practice "flexible engagement" may well have come to pass. While it is yet to be institutionalized in ASEAN, some of its members (not least of all Indonesia) have shifted on the principle of not commenting on what was designated the "internal affairs" of fellow ASEAN members. However, it is crucial to note that with the end of the Soeharto era, the traditional view of "non-interference", which was strongly propounded by Soeharto, may no longer be supported by Indonesia. This adds to the suggestion that ASEAN may be losing its unity of purpose, and that Indonesia's role in the future will have considerable bearing on this situation. If Indonesia joins Thailand and the Philippines in urging a greater emphasis on "human security", this could well mean a polarization of the group. This will almost certainly undermine ASEAN's ability to find new directions.

Sixth Summit Meeting

The high-profile issue of Cambodia's admission at ASEAN's Sixth Summit in December 1998 as the tenth member was the subject of open debate. While Singapore, Thailand, and the Philippines wanted to delay membership expansion, Indonesia, Laos, Malaysia, Myanmar and Vietnam were pushing for Cambodia's incorporation. An embarrassing gaff occurred when Habibie, in his opening speech, prematurely welcomed Cambodia to the group. However, the outcome was far from certain. The hosts, Vietnam, were strong advocates of Cambodia's admission, given the historical links with Hun Sen's administration. In a face-saving arrangement, ASEAN decided to state that Cambodia would become a member but at an unspecified time in the future. Crucially, the objectors want to see that stability had returned to Cambodia, that Hun Sen and Prince Ranariddh could work together, and the creation of a senate in Cambodia.

With regard to economic integration, the Hanoi Plan of Action covered a host of integration issues but the highlights were speeding up the AFTA process and procedures to attract investment to the region. In terms of AFTA, not only was the tariff reduction process under

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the Common Effective Preferential Tariff (CEPT) reaffirmed but the free trade area is now due for completion by 2002, with 90 per cent of tariff lines to be reduced to between 0–5 per cent by 2000. Vietnam has until 2003 and Myanmar and Laos until 2005 to implement AFTA fully. As part of ASEAN's desire to attract much needed investment to the region between 1 January 1999 and 31 December 2000, foreign investors which gain approval in one ASEAN state may gain acceptance to another member state. It was reported that even Indonesia surprised observers by supporting the new liberalization. In fact, the Asian financial crisis has not derailed AFTA as some expected, as both Indonesia and Thailand are under International Monetary Fund (IMF) conditionality to liberalize in any event: a renewed commitment to AFTA by previous foot-dragger, Indonesia, is essentially a by-product of its liberalized economy under IMF auspices. This new commitment to trade liberalization has so far not been translated into action as other issues divert the member states of ASEAN. The future challenge for AFTA is to make advances on the removal of non-tariff barriers (known as "AFTA-plus"), and agreements that free up trade in services and investment. The commodities excluded from AFTA, namely, agriculture and the "sensitive" items (particularly automobiles and chemicals), remain another area to be tackled.

Implications for the Future

Leadership of the Group

As established earlier, Indonesia's primary foreign policy focus is on coping with domestic issues. The most obvious conclusion is that Indonesia's lack of attention to ASEAN and its reduced capacity means that Indonesia can no longer say it is the leader of ASEAN. Correspondingly, its overall influence within ASEAN has waned and other countries, notably Thailand, can be expected to take initiatives. Indonesia's revival, which is more than a short-term prospect, is necessary to revitalize ASEAN in terms of new initiatives. Indonesia's expectation of regional leadership remains undiminished and this important factor means that in the long-term it seeks to re-assume the role as ASEAN's leader.

Domestic Political Situation

The parliamentary elections in June and the presidential elections in 1999 are needed to create political stability as a precursor to economic growth, the end of the economic crisis, and a return to normalcy. However, there is no guarantee that the new political configuration, whatever that might be, will bring this kind of stability which would create greater market confidence. It is impossible to tell what the

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results will be but it is only when Indonesia has a stronger domestic polity that it will be able to begin to once again play a more proactive role in global affairs, and that includes ASEAN.

The June 1999 elections in Indonesia, the first free and (relatively) fair elections since 1955, will bring two changes to Indonesia's political landscape.[27] First, greater politicization will occur, to reverse the deliberate depoliticization of the Soeharto era. Even prior to the elections, there was already far greater pluralism in Indonesian society. Therefore, even if Golkar retains power, by itself or in coalition, a genuine opposition will exist. The benign scenario is that following the elections there will be a period of consolidation as the different parties seek to elect a president and form a new government in a free and fair fashion. A less benign scenario is that renewed politicization contains within it the potential for demagoguery, and in foreign affairs this could mean a far more belligerent role than Soeharto took. For the states of Southeast Asia, this raises the spectre of a large uncontrollable or adventurous neighbour that may espouse irredentism or seek to resolve disputes in a more confrontational manner. The emergence of sectarianism and/or political instability may see Indonesia descend into chaos, perhaps provoking a reaction from the armed forces and a return to authoritarianism, as it was experienced in Soeharto's New Order. However, on balance, all political parties must espouse the *Pancasila ideology*,[28] or accept pluralism within Indonesian society. There has been a subtle shift in Indonesia from an earlier requirement that party membership should follow *Pancasila* lines. However, now parties can be more narrowly defined in terms of membership, such as the creation of various Muslim-based parties, but ideologically they must conform to the state ideology. The promulgation of an Islamic Republic by, *inter alia*, the so-called "Green Generals", or Islamicist generals, of the armed forces may cause many moderate Muslims and non-Muslims to rebel against such a state.

Secondly, and related to the first point, the other certainty is the emergence of Islam as a political force. This is common in societies where civil institutions have been run down through massive corruption and where there is widespread disenchantment. Islam is, in Muslim societies, the obvious alternative power structure. Many of the strongest contenders for power are linked with Muslim groups, namely, Habibie (ICMI), Abdurrahman Wahid (Nahdutal Ulama), Amien Rias (Muhammadiyah),[29] and the popular Minister of Co-operatives, Adi Sasono. Only Megawati, of the Indonesian Democratic Party — Struggle (PDI-P), remains decidedly secular, and while she is the front-runner of the June polls, she must seek to work with other parties in order to have a chance of seizing power, including an open electoral alliance with Abdurrahman Wahid. Currently, the main Muslim leaders and organizations are committed

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to *Pancasila*, and described as "modernist Muslims". The continued tolerance of Islam in Indonesia will always be an open question, particularly among the Chinese diaspora of Southeast Asia. However, the enhanced role of Islam is not necessarily a problem. It does not, in itself, spell trouble for ASEAN. Malaysia is a good case in point where Islam does have a greater role in foreign affairs and yet Malaysia remains a committed member of ASEAN. The emergence of Islam as a political force does not automatically mean that Indonesia will embark on an Iranian-style foreign policy of radicalism.

Soft Authoritarian Role Model

Indonesia's future domestic political configuration will have another effect on ASEAN. The Asian financial crisis has revealed a fair extent of government–business collusion and this has undermined the theory of "authoritarian advantage" whereby non-democratic governments have greater power to mobilize resources. A counter point is that an authoritarian government contains no checks and balances on high level corruption. Jusuf Wanandi has stated that the "Korean model", which involved strong central government direction of economic development, has resulted in economic stagnation in the case of the Philippines and Indonesia.[30] Indonesia's experiment with soft authoritarianism under Soeharto's New Order has ultimately been the cause of regional instability and the uncertainty that now hangs over Indonesia's future. The political and economic crisis has meant an end to the role that Indonesia played as mentor to a number of other Asian states. In the past, Indonesia was a soft authoritarian role model for Myanmar and Vietnam, which sought to engage in market reforms without political change, but this is no longer the case. While it is far too early to pronounce Indonesia as a fully fledged liberal democracy, Habibie has clearly shifted Indonesia away from the "soft authoritarian" camp. A possible scenario pits Indonesia, the Philippines and Thailand against the other countries that do not espouse liberal democracy, and ultimately results in a polarization of ASEAN into two ideological camps. Habibie has taken the "flexible engagement" idea firmly on board — much to the annoyance of some other members.

The current Indonesian ruling élite supports the further integration of ASEAN and the incorporation of "human security" into the ASEAN framework. Indonesia, under Habibie, once it has regained its international confidence, may well begin to support the creation of a more integrated ASEAN. Habibie has already called for a common currency and an ASEAN Parliament along the lines of the European Parliament — the latter strikes at the heart of "non-interference" as a Parliament, by its very nature, would have to make comment on

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a host of issues.[31] A number of Indonesian officials consider that in the future Indonesia will push for more institutionalization of ASEAN. This marks a real sea-change in Indonesia's future role. Under Soeharto, integration measures were undermined. Habibie has demonstrated that he wishes to see a policy shift, illustrated by the new interest in AFTA and AFTA-plus. However, with Indonesia's reduced capacity, any real change still resides at the level of rhetoric and so far lacks real substance. ASEAN stands in the valley of decision between a status quo grouping where sovereignty rests with the governments of member states and a more ambitious grouping that promotes social and economic integration from an active secretariat. Clearly, ASEAN is not ready for the second path, and Indonesia is in no position to support such a course.

Indonesia as a Unitary State?

One suggested scenario is the future break-up of Indonesia. Such an outcome is unlikely, although comparisons to Yugoslavia abound (where, presumably, Soeharto becomes the Asian equivalent of Tito, who held together an arbitrary state by fair means or foul). On the available evidence, there is no reason to speculate that any of the ethnic groups or provinces (with the exception of East Timor) will have the desire or the strength to push their claims to independence. If this unlikely scenario were to occur, it may well affect Indonesia's role in ASEAN, depending on the extent to which the state broke up. It is important to remember that in spite of diminished capacity, Indonesia still sees itself as a rightful regional leader in the first instance, and a global player in the second. A break-up of Indonesia could well alter that view in the same way that the break-up of the Soviet Union forced the main successor state, Russia, to reduce its role in international affairs — as painful as that process has been.

What is a far more likely scenario, given recent events, is that greater autonomy will be given to Indonesia's twenty-seven provinces.[32] Such a proposal, which has been on Indonesia's statute books since 1974, has recently gained political weight as a way of placating regional grievances. If this came to pass, it would change the political and economic face of Indonesia as issues of governance, commerce and education would move outside Jakarta's control and potentially revitalize the outlying islands. However, this is not likely to affect ASEAN as a group and geographical area beyond strengthening regional growth triangles and trans-border trade.

East Timor's future status does have some implications for ASEAN, and Indonesia's role within the organization. Since Soeharto's departure as President, Habibie has opened the prospect of having East Timor's

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status. Open discussion of this issue was unthinkable in Soeharto's time but now it is openly stated that East Timor may gain its independence at some point in the future. Habibie has publicly questioned the usefulness of continuing to claim East Timor as Indonesian soil, given the significant problems that Indonesia now faces. He has stated: "What did they [East Timor] give us? Natural resources? No. Human resources? No. Abundant gold? No. Rocks? Yes."[33] He went on to describe Indonesia's "integration" of East Timor as an act of "charity" because of the suffering left by the Portuguese, given that the annual budget of the tiny province is six times greater than East Nusa Tenggara.

Currently, there are two proposals for East Timor's future. The first is "Enlarged Autonomy" whereby only defence, foreign affairs and monetary policy reside with Jakarta. In a similar fashion to the autonomy proposals for the twenty-seven provinces, this poses no real change for the ASEAN grouping. The second option of independence, an option widely regarded as being more popular, is a more interesting proposition for ASEAN. Independence would mean that East Timor would have a separate foreign policy. Indonesia would expect East Timor to toe-the-line in broad foreign policy terms and Finlandization could well be the model for an independent East Timor. East Timor would at least be expected to follow ZOPFAN and not become a "Trojan horse" by aligning closely with extra-regional powers, such as China or the United States.[34] Furthermore, East Timor could well be the eleventh member of ASEAN — at least, the current Indonesian leadership would sponsor that idea. As an aside, the question remains, would an independent East Timor wish to be a member of ASEAN? Or would it choose to be a member of the South Pacific Forum instead? Clearly, it is in East Timor's interest to join ASEAN as quickly as possible following independence, were that to happen. This concession would be a small one when gaining recognition, and would ultimately constitute protection of its new statehood. One ASEAN member surely will not invade another.

Conclusion

Whatever the outcome of Indonesia's political and economic turmoil, it will take years for Indonesia to resume the role as leader of ASEAN — a position that Soeharto held. Domestic problems have surely led to a greatly reduced level of Indonesian influence over the ASEAN group and the Southeast Asian region. *Asiaweek* has expressed it thus: "ASEAN [is] barely a blip on [Indonesia's] radar."[35] In other words, ASEAN is not high on Indonesia's list of priorities. It is still important, as are its achievements, but currently it is less central to Indonesian

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foreign policy, but that does not mean that it always will be. ASEAN will continue to be a useful organization and has a long-term future. Currently, it may enjoy less influence and a lower profile, but it is firmly embedded in Southeast Asia as a foreign policy vehicle. Furthermore, Indonesia's unrest has raised question marks over its long-term stability in the minds of the neighbouring countries, and this potentially has major consequences domestically, and in terms of foreign policy. Maritime Southeast Asia fears a mass exodus of refugees. The current instability has brought to the surface a disturbing anti-Chinese element, and this has damaged Indonesia's reputation and its bilateral relations with China and Singapore. Soeharto's New Order, which seemed so impregnably stable for decades, has ultimately failed to bring "order" to the archipelago.

Soeharto's departure has meant a real change in ASEAN. Open comment on other ASEAN countries is now commonplace, and the Soeharto Doctrine has been effectively dropped. "Flexible engagement", although not officially endorsed by all members, is, in effect, in practice. This goes beyond leaders' comments on other leaders or other ASEAN members. Monitoring of forest fires and economic policies have created the opportunity for input from ASEAN member states.

In summary, it is no longer accurate to describe Indonesia as the "leader of ASEAN". This responsibility has been abdicated, but there is no obvious successor. With Indonesia's ongoing domestic problems, ASEAN is going to be important to Indonesia to gain both international legitimacy and some measure of international strength through unity. Yet, at the same time, Indonesia must improve its domestic situation to regain the confidence of the organization so that Indonesia is not constantly regarded as a millstone to ASEAN.

NOTES

1. Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism* (Singapore: St Martin's Press and Institute of Southeast Asian Studies), 1994.
2. Economist Intelligence Unit, *Country Report: Indonesia*, 1st quarter 1998, p. 13.
3. On 21 January, the rupiah plunged by 14 per cent to Rp11,800 to US$1 after the announcement, and lost another 35 per cent over the next week. Ibid.
4. Much of the news coverage in Singapore during the events of May 1998 focused on the plight of the Indonesian-Chinese community, including the sacking of Chinese retail stores, the systematic rape of women, and the flight of large numbers of ethnic Chinese into Changi airport — where a number were interviewed on national television.
5. This included: a special representative of Helmet Kohl, the then German Chancellor; the Singaporean Prime Minister, Goh Chok Tong; then Malaysian Deputy Prime Minister and Finance Minister, Anwar Ibrahim; the head of the International

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Monetary Fund (IMF) Michel Camdessus; the Sultan of Brunei; former U.S. Vice President, Walter Mondale; and U.S. Secretary of Defense, William Cohen.

6. Kornelius Purba, "Habibie struggles to find his footing in presidency", *Jakarta Post*, 26 December 1998, p. 5. It is also worth noting that as Soeharto's anointed successor, Habibie was given a much more active international role as Vice-President than his predecessors. It had already been confirmed that Habibie would represent Indonesia at ASEAN, ASEM, and APEC.
7. In late 1997, clear satellite evidence from the Meteorological Service Singapore (MSS) showed that the fires were not the work of individual farmers, but large land-holding companies. This pointed the finger at Liem Sioe Liong, Bob Hasan, Progjogo Pangestu, and others that were linked to the Soeharto regime. Soeharto's eventual apology appeared to be the confession of someone caught "red-handed", rather than a genuine expression of remorse.
8. "ASEAN appeals for global help to fight Indon fires", *Business Times*, 26 February 1998, p. 77.
9. Peter Dauvergne, "The Political Economy of Indonesia's 1997 Forest Fires", *Australian Journal of International Affairs* 52, no. 1 (April 1998): 14.
10. In a move heavily criticized by the opposition, Malaysia took the step of forbidding scientists to comment on the "haze" problem. However, newspapers remained critical of Indonesia.
11. Singapore helped set up two advance warning stations in Jambi and Pontianak, which use the Pollution Warning Index to measure environmental problems associated with forest fires.
12. Interview with Raymond Yee, Assistant Director, AFTA Bureau, ASEAN Secretariat. An example was Indonesia's insistence that AFTA exclude fifteen categories of processed agricultural items, forcing ASEAN officials to look for loopholes in the agreement in order to satisfy Indonesia's demands. Many of the items put up for exclusion formed part of commercial interests held by the Soeharto family, or those closely connected to it.
13. Leszek Buszynski, "ASEAN's New Challenges", *Pacific Affairs*, Winter 1998, p. 557.
14. For example, see Derek McDougall, *The International Politics of the Asia Pacific* (Singapore: Institute of Southeast Asian Studies, 1997), p. 205.
15. John Funston, "ASEAN: Out of its Depth?", *Contemporary Southeast Asia* 20, no. 1, (April 1998): 24.
16. Other members are Britain, Canada, France, Germany, Japan, New Zealand, South Korea, Russia, and the United States.
17. Indonesia's Foreign Minister, Ali Alatas, stated publicly that "we would like to obtain certainty concerning the political status of Prince Ranariddh. We would like to know what is going to happen if he returns." "ASEAN to insist on Ranariddh's participation in polls", *Sunday Times*, 15 February 1998.
18. "ASEAN 'needs assurance' over Cambodia", *Straits Times*, 6 December 1998, p. 21.
19. Leszek Buszynski, op. cit., p. 570.
20. For the FY1998, Indonesia spent US$3.1 billion on defence, a nominal increase of 17 per cent, but with inflation and currency fluctuations taken into account, a real reduction of 40 per cent. Indonesia has suspended the purchase of submarines, Su-30 bombers, and Mi-17 helicopters. "Defence Budgets take a back seat in hard times", *Straits Times*, 26 March 1998.
21. Rigoberto Tiglao et al., "'Tis the Season", *Far Eastern Economic Review*, 24 December 1998, p. 18.
22. See Pushpa Thambipillai and J. Saravanamuttu, *ASEAN Negotiations: Two Insights* (Singapore: Institute of Southeast Asian Studies, 1985), for an example of the

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argument that ASEAN is run on the basis of consultation and consensus, which is derived from the village decision-making process in Malay-based cultures.

23. See N. Ganesan, "Malaysia-Singapore Relations: Some Recent Developments", *Asian Affairs* 25, no. 1 (Spring 1998).
24. "Habibie, Golkar Chief take Offence at SM's Remarks", *Straits Times*, 12 February 1998.
25. In an interview with the *Straits Times*, senior adviser to President Habibie, Dewi Fortuna Anwar, warned Singapore that it risked being perceived as a "fair-weather friend", and disparaged Singapore's humanitarian assistance: "Humanitarian assistance smacks of charity. Indonesians are very proud and nationalistic and we certainly don't want to be seen as a poor cousin getting hand-outs. We want Singapore to get us investments and help us in external debt financing. This will earn Singapore Indonesia's goodwill because we know they helped us when the chips were down." Derwin Pereira, "Help is not just aid, says Jakarta", *Straits Times*, 24 February 1999, p. 2.
26. Adi has failed to name individuals or make further clarifications, leading to suspicions in Singapore that ethnic Chinese businessmen and women will be targeted. He has warned Singapore that the relationship will undergo a substantial change under a "new Indonesia in the making": "...there won't be Liem Sioe Liong or Anthony Salim or those connected to Soeharto to give concessions in Bintan anymore, for example. Indonesia will change and Singapore has to adjust to that fact." "Adi wants extraction treaty with S'pore", *Jakarta Post*, 26 December 1998, p. 2.
27. These elections have been judged to be genuine by international observers, including former U.S. President, Jimmy Carter. However, the appointment of both armed forces personnel into the DPR and regional representatives into the MPR may give Golkar an advantage in the subsequent decision on the presidency.
28. The term is shorthand for supporting the founding principles of the Indonesian state, and in this case means the toleration of other faiths and creeds. It also means supporting the concept of a unitary state, and therefore discussion of regional independence is illegal.
29. Soon after the counting of votes following the 7 June poll, it was clear that Amien Rais' National Mandate Party (PAN) had not performed as well as expected and this may remove him from the running for the presidency.
30. Jusuf Wanandi, "Good Governance, Domestic and Regional Stability: Agenda for the Future", *Indonesia Quarterly* 26, no. 2 (1998): 96.
31. Interview with Dewi Fortuna Anwar, Senior Advisor to the President, Jakarta, February 1999.
32. Including East Timor, which may, in time, opt for total independence.
33. "East Timor is nothing but rocks: Habibie", *Straits Times*, 25 February 1999, p. 18.
34. Interview with Dewi Fortuna Anwar, op. cit.
35. Tim Healy and Jose Manuel Tesoro, "Judging Habibie", *Asiaweek*, 4 September 1998.

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National Security and Malay Unity: The Issue of Radical Religious Elements in Malaysia

KAMARULNIZAM ABDULLAH

Islam in Malaysia has become an identifying theme of Malay unity in the country and has constituted a powerful weapon in the struggle for political supremacy. It has been used as a continuing source of political legitimacy and as a shield both internally vis-à-vis other communities and against external influences in Malay politics. Paradoxically, it is this very use which now threatens to make Islam a dividing factor, both for inter-communal and Malay unity. Indeed, although the presence of Islam in Malay society and politics is not new, the manner in which it has been employed since the 1980s is of serious concern to the Malaysian Government and the various ethnic and religious communities in the country. This article provides an analysis of this complex issue.

Introduction

Islamic revivalism and its possible effects on global security and culture have received considerable attention in recent years from many scholars. One such scholar is Anwar-il-Haq Ahady who has argued that religious assertiveness among Muslims and the strength of Muslim radicals are in fact declining.[1] However, recent developments in the Middle East, South Asia, and Southeast Asia, where the majority of the populations are Muslim, suggest the opposite. Islam remains one of the most dominant factors influencing politics and, in some countries, it has a major influence on socio-political life. The victory of Necmettin Erbakan's Islamist political party in the 1996 Turkish general elections, and the strong sense of brotherhood among Muslim

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countries in the Balkan crises show that the wave of Islamic revivalism is still prevalent.

To many people, Islamic revivalism is a sense of going back to the basic tenets of Islamic teaching, purifying oneself from evil doings, and discarding materialistic values imported from the West. Yet, it is more than that. Islam is no longer seen as simply a creed but as *ad deen waduniah* or "both faith and a way of life". As Jansen argues, Islam is ... a vast and integrated system of law, it is a culture and a civilization; it is an economic system and a way of doing business; it is a polity and a method of governance; it is a special sort of society...".[2]

Moreover, the conviction that Islam is a "faith as well as *a method of governance/a polity*" (*Islam deen wa dawla*)[3] has become the salient theme of Islamic revivalism world-wide for the past two decades. It is a belief that Islam does not recognize any separation between politics and religion. The power of the Islamic language became more obvious during the pre-independence struggle in many Muslim countries. Even today, the struggle to uphold Islam as *deen wa dawla* still continues and is a major issue in many Muslim countries, particularly Pakistan, Egypt, and Malaysia.

This article attempts to examine Islamic revivalism in Malaysia — known as the "*dakwah*"[4] phenomenon — since the early 1980s, as part of a socio-political movement. The main focus is the effect which this revivalism, and the Malaysian Government's and various political parties' response to it, have had, and may continue to have, on Malay unity and Malaysian societal cohesion. Another focus of the article is to inquire whether there is a systematic linkage between Malay unity and national security. Malaysia's national security is defined here as the security of the polity in domestic terms (as opposed to security from external threats). For the purposes of our inquiry, however, the aspects of national security which will be discussed include those relating to the cohesiveness of Malay and Malaysian society: Malay unity is of crucial importance for the security of the polity, as the Malays dominate the political system and form its backbone.

Questions remain, however, whether if we accept internal threats as part of the national security problem, the distinction between the security of the government and the security of the state or nation would be a controversial notion. Furthermore, the government may use it to justify and legitimize its actions in using force against political opposition. But the Third World's security equation is different.[5] Once internal threats are accepted as part of a national security problem, questions arise about making a distinction between state security and regime security. This is essentially because internal threats are generally associated with threats to governments or regimes. To quote an analyst

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of Third World security: "The fate of the government cannot be wholly separated from the issue of national security...".[6] The government is a symbol and manifestation of the state. Although the collapse of the government may not directly affect the state as a whole, the "congenital weaknesses of government can bring into question the integrity and the existence of the state".[7] The fragile condition of the government may weaken the state and thus invite foreign intrusion. The Afghanistan and Vietnam wars, for instance, showed how internal resistance and the government's inability to overcome the challenge had invited big power intervention. Therefore, this problem can also be regarded as a security issue.

Furthermore, Caroline Thomas is reluctant to use the "national security" concept in analysing security issues in a Third World country. She argues that the concept of state security is more suitable, since "national security" is an ethnocentric concept. It is a positive term for the West since the concept denotes the idea of "legitimising the pursuit of national interests regardless how the government chooses to define it".[8] The concept of state security, however, portrays negative connotations which by implication cast doubt over the legitimacy of any pursuit undertaken in its name. The West tends to equate state security with authoritarian and dictatorial rulers.[9] Leaving aside this debate, for the convenience of this article, Caroline Thomas' definition of Third World security will be employed.

Islam in Malaysia: Historical Context

Islam has increasingly become not only a symbol of Malay cultural dominance, but also a powerful tool in the hands of the élites in Malay politics. Historically, religion was not at the centre of social activities in Malay society. When Islam finally arrived in the Malay peninsula around the fifteenth century, it was first welcomed and adopted by only the aristocracy. Generally, ordinary Malays (the *rakyat*) subscribed to animism, a belief that had been deeply entrenched in their culture and social life. Conversion by the masses to Islam was made possible through state sponsorship. Religion in Malay society was a power identification of the ruling élite. Hence, it can be said that in Malaysia's Islamic development, Islam and politics have co-existed side by side.

Islam had become the dominant religion by the seventeenth century, and became part of the ethnic identification for Malays, at a time when non-Malays began to flock into the Malay peninsula in the eighteenth century. Therefore, Islam in the Malaysian context is usually associated with ethnicity. This reality is reinforced by the modern constitution which stipulates that a Malay is defined in terms of cultural and religious

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affiliation.[10] Yet, in practice, Islam among the Malays was understood only in terms of its ritualistic aspects. The localized version of Islam was a complex combination of animism, local *adat* (custom), and Hinduism.

British colonial governments had left it to the local rulers to define Islamic orthodoxy in their respective states. However, as Sharifah Zaleha has pointed out, the movement towards orthodoxy did not take place until the early period of the twentieth century, partly because of the response on the part of the ruling élites to two pressing needs at that time: radical changes demanded by young Islamic Malay scholars, who envisaged the total reform of Islam through Malay unity; and the reorientation towards Western values in the local administration and polity.[11] Each Malay state then utilized the legal and organizational structure offered by the colonial system. Malay statesmen and *ulama* (religious teachers) set out the agenda of Islamic orthodoxy by stipulating the adherence to the doctrines of *Ahl Sunnah Wal Jamaah* (*Sunni* Islam) for their respective states.

Islam in Malay politics after independence, as it was before, was incorporated as part of Malay nationalism. Although Islam and Malay nationalism have always coexisted in the modern Malay political struggle, Islam only became a defining feature in the national struggle to invoke self-defence against non-Malays. For instance, early Malay reformists in this period advocated "social and economic upliftment of the Malays"[12] with a mixture of pan-Islamic ideas of purifying Islam from "impurities of custom and belief derived from adat and from other religions".[13]

Islamic revivalism world-wide since the early 1970s has to some extent changed these perceptions. The revivalist trend has not only had social and political implications but has also regenerated the question of the role of religion in Malay society and politics. It has, therefore, become a crucial issue, especially among the urban Malays, an issue that needs to be addressed urgently. *Dakwah* movements, led by ABIM (the Muslim Youth Movement of Malaysia) and the now banned Darul Arqam (the Abode of Arqam), have advocated the Islamic concept of *ad deen waduniah* (Islam as a way of life), arguing that Islam not only involves religious rituals but also encompasses every aspect of life. Although the two movements are different in their approach, they have none the less clearly wanted Malays to return to "the true path" of Islam, even though their means to reach the true path have been quite different. ABIM has chosen a modernist approach of *tarbiyyah* (education) whereas Arqam (although also emphasizing *tarbiyyah*) took a more conservative and narrow approach by primarily emphasizing the etiquette aspects of Islam. Nonetheless, Arqam's

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progressive Islamic economic activities won praise and admiration and its enormous financial resources suggested that the Islamic economic system could work in a capitalist world.[14]

At the political level, conflicting views have existed over the role Islam should have in Malay politics. Colonialization had reduced the role of Islam to private matters. UMNO (the United Malays National Organization), the senior ruling coalition party (and also a nationalist and the largest political party representing the Malays), preferred to maintain this position. It believed that Islam should not be a factor in politics and should be left only in terms of its religious rituals. Given Malaysia's multiracial and multireligious society, UMNO has believed that one's particular religious belief should not be imposed on another.[15] Therefore, religion and politics should be separated. Other groups, particularly PAS (Pan Islamic Party of Malaysia) have, however, envisaged a synthesis between Islam and politics. PAS has demanded the creation of a state based on *syariah* (Islamic law).

The Augmentation of the Politics of Islam

The debate about the role of Islam in politics continues in Malay political circles today. UMNO, initially reluctant to promote Islam in politics, was forced by the local socio-political realities to change direction, especially when Dr Mahathir Mohamad took over as Prime Minister in 1981. The UMNO-led government introduced a well publicized Penerapan Nilai-nilai Islam (the Inculcation of Islamic Values), also known as the Islamization programme. Contrary to more radical Islamist[16] demands, the programme has stipulated a gradual transformation in the country, from being secular to more Islamic, without harming the delicate balance of racial harmony. The UMNO-led government wanted to avoid a repeat of the 1969 riots. Those riots showed that once a dominant community attempted to impose its own values on a pluralistic society, the consequences could be dire. Therefore, UMNO's Islamic struggle was to promote Islam as a progressive and dynamic religion.[17]

The actions of the UMNO-led government since the early 1980s to rejuvenate and reinvigorate a progressive Islamic image created a perception that the government was receptive and sympathetic to the cause of Islam. On the other hand, many from outside and even within UMNO itself took the opportunity to use Islam not only for political subterfuge but also as an agenda to gain Malay support. Even Malay politicians who had secular views were "forced" to use the political language of Islam for the sake of political popularity and survival. The UMNO-led government's "new" attitude towards Islam became a passport for many Islamists to spread their own brand of Islam. Islamic

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movements, such as Al-Arqam became more vocal in their call for full adherence and implementation of the Islamic way of life.[18] Concurrently, PAS took the opportunity to strengthen its position among the Malay communities and thereby put additional pressure on the government. For PAS, Islamization means total reformation (not a gradual transformation) from *hadharah asabiyyah* (barbaric pre-Islamic civilization) to *hadharah Islamiyyah* (Islamic civilization).[19] Initially, PAS' political agenda reflected an intertwining of Malay nationalism with Islamism; the shift in UMNO's policies gave PAS the space to expand its "Islamic" political horizons. Hence, Malay politics entered a period where Islam, as never before, became one of the decisive factors on the agenda.

The UMNO-led government had always been proud to claim that it was the only Muslim government in the world capable of fulfilling both its secular and spiritual commitments to the people. Its success was admired and imitated by a number of Muslim countries. The increasing influence and the "apparent radicalism" of *dakwah* movements, however, drove the UMNO-led government to take steps to contain them by adopting several strategies. One strategy was to co-opt influential *dakwah* figures into the government. This step was intended to offset "radical" Islamism. The co-optation of Anwar Ibrahim, who was a very vocal student leader and President of ABIM, was a clear example. Other influential *dakwah* leaders included Yusuf Noor, Dean of the Faculty of Islamic Studies at Universiti Kebangsaan (National) Malaysia, and Zainal Abidin Kadir, Director of Pusat Islam (the Islamic Centre).

Moreover, Pusat Islam was administratively upgraded and renamed the Jabatan Kemajuan Islam Malaysia (the Department of Islamic Development), or JAKIM. The government's intention was to turn the department into the country's religious referral centre, an attempt that seemed difficult but possible since Islamic matters come under the jurisdiction of individual states.[20] The department was also given a pivotal role in spreading the message of Islam, but it had to be congruent with the traditional *Sunni* interpretation of Islam. In other words, the government, be it state or federal, has seen itself as the political vanguard of the Islamic *Sunni* belief. Hence, JAKIM has concentrated its efforts in combating and eliminating other beliefs, including *Shi'ism*, and old values that are the antithesis to "official" Islamic teachings. At the same time, the department has been given a role in organizing *ceramah* (religious talks) in government agencies.

It can be argued that, paradoxically, the government has become the victim of its own success. This is because its efforts at implementing Islamic programmes have not only encouraged Islamic development in the country but have also raised the problem of controlling its expansion.

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Although the Malaysian Government succeeded in neutralizing the major *dakwah* movements, the ability of the Islamist-led opposition parties to use political Islam to gain support has affected the socio-political balance of the country. The manipulation of religion for political interests and ambition has become the main theme of rivalry between UMNO and PAS. The two political parties have attempted to use Islam to legitimize their position as the standard-bearer of Malay causes. The leaders of PAS have also accused the government of moral incompetence, mismanagement, corruption, and nepotism. The sacking of Deputy Prime Minister Anwar Ibrahim, in September 1998, from both the government and UMNO on the grounds of "moral misconduct" amid allegations of adultery and homosexuality became an important weapon in the hands of PAS (and other opposition parties) in using religious overtones to politically outmanoeuvre UMNO's credibility and image. Anwar has denied the charges and claimed he was a victim of a political conspiracy at the "highest levels of government" and that others in the government were afraid of his determination to morally cleanse unfit leaders once he became prime minister.[21] PAS and supporters of Anwar demanded justice and transparency by arguing that since Anwar's dismissal was ostensibly to show that justice was being evenly applied and that ... the country was not left in the hands of a supposedly deviant, demented individual ... the onus has since been placed on the government to demonstrate that its leaders are morally upright.[22]

The government's indifference to the Islamic challenge has paved the way for "radical" Islamic elements to play around with religious sentiments. As a consequence, the government has had to confront radical elements or, in the government's own terminology, deviant types of the *dakwah* phenomenon. The government has responded by taking actions not only to ensure civil order but also to protect its own political survival and authority. One deterrent action was to clamp down on Arqam. At the same time, the government was concerned that its attempt to curb Islamic political activities might be misconstrued. Banning PAS would mean that the Malay political struggle would be dragged into uncharted and dangerous territory of continuous conflict. This is because PAS has considerable grass-roots strength and is capable of gathering support for its cause. Yet, giving PAS a free hand would allow a festering sore to keep on gnawing at UMNO. This has been a dilemma for the government, as has been shown by a number of serious incidents since the 1980s.

Confronting Political Islamic Challenges Since the Mid-1980s

One of the major consequences of employing a radical kind of political

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Islam in Malaysia has been the rise of certain types of political leaders who have seized upon Islam as their political platform to gain grass-roots support. The issue of Islam in politics is, in fact, not new. But it gained major salience only when PAS launched a "crusade" in the mid-1980s by identifying itself as representing *mustadhafin* (the meek) as opposed to *mustakbirin* (the arrogant); and fighting for the *adil* or *adl* (the just) against the *zulm* or *zalim* (the wicked).[23] The initiative was a significant breakthrough for PAS in providing a "legitimate" theological interpretation of the contemporary relevance of Islam in Malay society. Among other things, PAS began a campaign against *assabiyah*, which in the Malaysian context means "ethnic chauvinism".

The Political Dimension of Kafir (infidel) Fatwa

The issue of the *kafir* (infidel) has been a major contention between UMNO and PAS over the years. Leaders of PAS have called UMNO *kafir* for forging political co-operation with non-Muslim political parties such as the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC) in general elections. This accusation by PAS emerged for the first time during the 1964 elections. The issue was raised when the PAS Ulama Council issued a *fatwa* "alleging" that it was *haram* (prohibited) for Muslims to work together with non-Muslims in administrating the country and, it was also *haram* to vote for the Coalition Party (a precursor to the Barisan Nasional).[24] A member of the Council, Haji Yaakob Ishak, went further by making controversial statements labelling UMNO members themselves as *kafir* and alleged that marriages with or among UMNO members were null and void since they were *kafir*, and thus their offspring were illegitimate; that meat slaughtered by UMNO members was also *haram*; and finally, that prayer congregations led by UMNO members were also null and void in the eyes of Islam.[25] This position, however, was temporarily suspended when PAS was part of the Coalition Party (later Barisan Nasional) between 1973 and 1977.

None the less, the collapse of the fragile partnership between PAS and UMNO in 1977 marked the beginning of a new and radical approach by PAS. PAS's radicalism can also be explained in the context of its frustration while in the Barisan Nasional. The void left by PAS gave opportunities to the *dakwah* movements, especially those considered to be anti-establishment, like Arqam and ABIM, to pursue their goals. Some PAS members left the party and joined Arqam or ABIM in the belief that the party had lost its Islamic credibility and respectability. For instance, Arqam accused PAS of failing to realize its ideals while in the government. Thus, when PAS left the government, the party had to re-establish itself as the number one champion of the Islamic cause.

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Moreover, the mood among the more ardent PAS members and supporters at the state and branch levels was quite radical, to the extent of perceiving themselves as the only vanguard and defenders of Islam. Led by the so-called Young Turks,[26] these elements in PAS believed that the only way to implement *syariah* in Malaysia was through the use of force. Although their militancy did not reflect PAS' position as a whole, at the central level PAS neither condemned nor condoned it.

During the heat of the 1982 general election, PAS relaunched its campaign, accusing UMNO members to be *kafir* for co-operating with non-Muslims. Haji Hadi Awang,[27] one of PAS' most notable stalwarts and also the party's liaison officer in Terengganu, argued: "we don't have to change religion. We become *kafir* when we practise a chauvinistic and narrow political approach (*assabiyah*)."[28] Given Haji Hadi Awang's respectable religious credentials in the eyes of PAS supporters, the message was interpreted as a green light to politically "attack" UMNO followers. Haji Hadi was PAS' answer to the spiritual concern in Malay society.[29] According to Halim Mahmood, Haji Hadi gave sermons to thousands, "...answering questions about religious law and prayers.[30] His mouth never dries up answering questions: every question is answered with calmness. His face emanates an intense spirituality." Haji Hadi did not only attract rural and unsophisticated Malays but also college and university students. It was reported that 30,000 cassettes of his sermons were sold every month.[31]

PAS propagated UMNO as un-Islamic, pursuing *assabiyah*, and lacking in spiritual values, and its radical approach did not end there. Among other things, PAS preached that:[32]

- people were prohibited from "learning" from any Islamic lecture brought by religious teachers appointed by the government.
- wedding feasts organized by UMNO members had to be boycotted since they were *kafir*, and the meat served was *haram* (forbidden).
- co-operation with local leaders appointed by the government, that is, the *penghulu* (head villager), and district officers, was not necessary. Therefore, any local co-operative programmes, such as *gotong royong* (community goodwill programme), should be boycotted.
- fighting between UMNO and PAS supporters was permissible and the dead would be considered *syahid* (martyrs).
- marriages performed by UMNO-appointed *kadhi* were null and void and had to be performed again.
- whoever was against PAS was also against Islam because Islam was PAS, and PAS was Islam.

Haji Abdul Hadi's *fatwa* resulted in a number of consequences. PAS' tactics won the hearts and souls of unsophisticated rural Malays,

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especially in the states of Kedah, Terengganu, and Kelantan. As a result, PAS supporters, mostly in these states, refused to pay *zakat* (alms) to government *amils* (collectors); marriages had to be dissolved because of differences in ideology between husband and wife; families became disentangled because of differences in opinion on which party should be supported; and the community became divided when different groups of supporters boycotted each other's social activities and functions. It went to the extent of even vandalizing government-built mosques by putting human excreta on the stairs and entrances.[33]

The UMNO–PAS political rivalry was also marked by intense hostility and violence. In the first incident, which occurred in a small village near Kuala Terengganu, a fight between UMNO and PAS supporters led to one person being killed and several others injured.[34] The Terengganu state government reported that, in 1984, 31 *kampong* (villages) had separate mosques built by PAS supporters. Among the districts that were involved were Besut (31 mosques), Kuala Terengganu (2), Marang (2), Hulu Terengganu (3), and Dungun (1).[35] Some PAS-built mosques were constructed next to the government-built ones. In villages where the PAS community was unable to build a small mosque, daily and Friday congressional prayers were performed twice — once by a government-appointed *imam*, and another by a PAS-appointed *imam*.[36]

The *kafir* issue was perceived by the UMNO-led government as a threat not only to the political stability of the country but also to its own legitimacy. The political tension which resulted from the rivalry, if uncontrolled, could become widespread. In an attempt to diffuse it, in November 1984 the government took a major step in tabling a White Paper entitled the *Threat to Muslim Unity and National Security* in which PAS, along with other violent extremists and "deviant" religious groups and the Communist Party of Malaya, was implicated in subversive activities.[37] The White Paper's aim was to warn people of the dangers they would face if activities involving religious manipulation and extremism were not curbed. The government argued that religious extremism would affect Islamic solidarity and *national security* if it was allowed to flourish.

The government believed that the most serious activity by PAS was to encourage people to topple "the democratically elected government through the use of force".[38] PAS' *fatwa* and activities were believed to be disruptive to the *unity of the Malay/Muslim community*, arousing the community's hatred towards the government, while causing enmity and conflict among Muslims, which threatened public and national security.[39]

As a result, the government argued, the banned Communist Party of Malaya (CPM) was able to slip through, directly and indirectly, into

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the Malay-Muslim community. This benefited the CPM. If the activities and accusations were not contained, the government argued, it would "weaken the spirit and resilience of the Malay community and pose a security threat to the whole community".[40] Using the CPM as a scapegoat was therefore another tactic employed by the government to justify and legitimize its actions. By blaming the CPM, the government could promote national solidarity and alienate political dissidents or opposition elements.[41]

The Memali Incident

Memali is situated in the district of Baling, Kedah. On 19 November 1985, the village became the focus of attention when eighteen people, including four policemen, were killed in armed clashes between the police and local villagers, the latter mainly PAS supporters. The incident was sparked off when police attempted to arrest Ibrahim Mahmood, also known as Ibrahim Libya,[42] and thirty-two of his followers under the Internal Security Act (ISA).[43] Ibrahim Mahmood was a PAS party stalwart and held many important posts at branch and state levels. These included PAS Youth President, Baling; PAS Committee Member, Baling; Committee Member of PAS Youth Section, Kedah; and Member of the PAS Information Committee, Kedah. He had also bid for the Kedah state constituency in the 1978 and 1982 elections, but lost on both occasions.

Ibrahim Mahmood and his followers were accused by the government of abusing and exploiting Islam for personal and political ends. He was also accused of other acts of rebellion. First, he was blamed for igniting and stirring up the *kafir* issue and boycotting social activities in Memali.[44] The government claimed that Haji Hadi Awang's political messages, mentioned earlier, was manipulated by PAS members, including Ibrahim Mahmood, to justify their struggle against the government. Secondly, Ibrahim Mahmood was also accused of inculcating extremist attitudes among PAS members and supporters in several states, such as Penang, Perak and Kedah. According to the government White Paper, Ibrahim Mahmood once called on PAS members to "rise and oppose the 2M (the then Mahathir-Musa administration) in every possible way, and if necessary, life and property must be sacrificed".[45]

Moreover, the government argued that Ibrahim Mahmood had incited religious passions and influenced his followers to the extent that they lost their own judgement: "Whatever government action to keep peace and order would be regarded by them (Ibrahim Mahmood's followers) as oppression in line with their interpretation of the spirit of *jihad* (holy war) and *mati syahid* (martyrdom)."[46]

Several days after the incident, *ceramah agama*, or religious lectures, were banned for months in the northern states (Perlis, Kedah, Penang,

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and Perak) and east coast states (Terengganu and Kelantan) in order to prevent further incitement.[47] However, critics pointed out that the government had overreacted in Memali by using excessive force as if "they were going to war".[48] The White Paper on the Memali incident described a total of 576 police personnel taking part in the operation, although only 228 actually approached Ibrahim's house. The manner in which the operation took place was controversial. Questions were raised as to why the government had to employ 228 police personnel just to arrest 32 people, and whether the police had provoked the incident.[49] Although the government claimed that the police found *parangs* (machetes), knives, poisoned arrows, a shotgun, and several molotov cocktails to justify its action, local villagers disputed some of the findings, pointing out that "...what were described as bamboo spears were actually pieces of village fencing, pulled out of the ground when the battle began".[50] PAS and other opposition parties, such as the DAP (Democratic Action Party), condemned the operation. Ibrahim Mahmood and his followers who died were considered martyrs. PAS pointed out that the government did not have to use force to disperse the resistance. As Abdul Halim Arshad has argued, the government could have cut water and electricity supplies to the house and within days those targeted would have surrendered. It was, he alleged, an act of tyranny.[51]

The Banning of Arqam: Between Theological and Political Questions

The way the Memali incident was handled must be seen as the UMNO-led government's determination to fulfill its self-proclaimed duty in guiding and maintaining the purity of Islam. The government warned that it would not back down and tolerate any group which "...uses force, creates chaos or splits the solidarity of Muslims in [the] country".[52] This conviction, furthermore, was shown in the banning of Arqam in 1994. Ashaari, the movement's leader, was arrested and held under the ISA to prevent him and his teachings from "acting in any manner prejudicial to the security of Malaysia".[53] The central issue to the ban was Ashaari's Aurad Muhammadiah Sufi teachings (hereafter referred to as Aurad).[54] Official local *ulama* argued that the teachings were contradictory to Muslims' *aqidah* (uncompromising belief) where it put a person on an equal status to that of a prophet.

However, there were allegations that the ban was political. They argued that the movement had been in existence since 1969 and yet why did the UMNO-led government take nearly 25 years to ban the movement? Furthermore, the controversy regarding the Aurad issue first surfaced in 1988 and yet the government and the religious authorities decided to totally ban the movement and its Aurad teachings only in 1994. The

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government responded to these allegations by denying that it was slow in curtailing the expansion and influence of Arqam. Datuk Abdul Hamid Zainal Abidin, the Director of JAKIM, clarified that the government had always kept its eyes not only on Arqam but also on other Islamic organizations and movements that were deemed to be deviant, or "out of control".[55] Initially, the government did not feel justified to act against the movement since it did not seem to pose a danger to the society and the nation. That was why although the issue was highlighted in 1988, action was only taken against it in 1994. The decision to act, according to Prime Minister Mahathir, was aimed at preventing further uncontrollable consequences.[56] He said that Arqam had crossed the stage where a leader was viewed like a prophet.

The government also maintained that the banning of Arqam had nothing to do with politics. Datuk Abdul Hamid Zainal Abidin said that during JAKIM's briefing to the Prime Minister, the latter had repeatedly reminded him that the government's decision to ban the organization was dictated more by theological reasons than politics.[57] Nevertheless, there were allegations, made by PAS and the Democratic Action Party, that the government was suppressing Islamic missionary work in Malaysia for political reasons.[58]

It can be argued that theological as well as political factors were behind the government's efforts to curtail Arqam.[59] Even though the government's action arose out of theological concerns, one cannot deny that political motives were also a factor in the government's decision to nip the Arqam movement in the bud so that it would not at a later stage pose a threat to UMNO's supremacy within the Malay social and political milieu. Arqam was known for its criticism not only of the government but also of other *dakwah* bodies such as ABIM. Ashaari once criticized ABIM "for relying on rhetoric rather than concrete and practical solutions to reform society along Islamic lines".[60] The conflict between Arqam and the religious authorities began in the early 1980s when Ashaari made political remarks about the ineffectiveness of the Islamic Centre (later known as JAKIM) in disseminating the true teachings of Islam and proposed that the administration of the institution be handed over to him and his followers. Ashaari's criticisms and statements invoked "resentment among the religious officials who were then ever determined to discredit the movement in the eyes of [the] public".[61] When Ashaari claimed that the founder of the Aurad (an Indonesian born pious man by the name of Syeikh Suhaimi Muhammad) did not die and would reappear as Imam Mahadi (the messiah), JAKIM denounced the claims as preposterous and warned Muslims to take note of its implications to their *aqidah*. The tug-of-war between Arqam and JAKIM also centred around the allegations, firstly, that members of the movement claimed

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that Ashaari had held a dialogue with the prophet Muhammad while in the state of wakefulness; secondly, Ashaari began to be known by his followers as *Abuya al-Imam at Tamimi*, meaning a pious leader and a long awaited saviour; and thirdly, Ashaari's followers "...reiterated their earlier charges against the religious officials and politicians of immoral practice and corruption, and challenged..." the Prime Minister, Dr Mahathir, to a popularity contest *vis-à-vis* their leader.[62] At the height of the conflict, Arqam was accused by the government of wanting to form an army called Tentera Badr which allegedly was based in southern Thailand.[63] The authorities substantiated their claim by publishing in local newspapers a series of confessions by former Arqam members. None the less, in an unusual turn, the government later admitted that the army did not exist and was a psychological game inculcated in the minds of the movement's members as though it existed.[64]

A conclusion one might arrive at from this controversy is that Ashaari's teachings had jeopardized Malaysia's Islamic solidarity. The question that then comes to mind is: who can decide the actual path of Islam? This old debate emerges not only in the context of the Malaysian situation but also in the wider Islamic world. In Afghanistan, the Taleban movement's controversial application of *syariah* has raised the same question.[65] In Malaysia, the debate is still heated between the government and the independent *ulama*. The government's *ulama* want to maintain the conservative interpretation of Islamic law based on the Koran and the *hadith*. On the other hand, the independent *ulama* assert the reinvigoration of *ijtihad* (independent reasoning) that gives learned religious leaders independent judgement for laws not specifically stated either in the Koran or in the *hadith*. The independent view, however, is unlikely to gain acceptance in Malaysia. Since the colonial period, as mentioned earlier, Islamic matters have always been in the hands of the religious authorities under the sultans' jurisdiction. The sultan is the head of the religious hierarchy. Although the administration of Islamic affairs is somewhat different from one state to another, individual state religious departments have co-operated with each other, and JAKIM has acted as a co-ordinator in streamlining religious administration at the federal level. As Means has argued,

> [u]nder Malaysian law as well as Islamic doctrine, the state is the protector of Islam, and as such, it has a responsibility to interpret and enforce Islamic law and doctrines ... any "deviations" or even serious doctrinal controversies represent a challenge both to established Islamic authorities and to the government.[66]

Nagata has also argued that

> [i]n Malaysia, the incumbent government elites increasingly harassed

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> and challenged by the various dakwah elements, attempt to retaliate by a frontal attack on their "orthodoxy," hurling at them accusations of "false teachings" and "deviance," as a means of undermining the authority of their leadership and cause."[67]

Therefore, when Ashaari decided to present a new aspect of *fiqh* (jurisprudence) and *tawhid* (theology) in *syariah*, his attempt was blocked by "the status quo" which served the existing authorities.

National Security and Malay Unity: A Systemic Linkage?

Security in the context of Malaysia, as mentioned earlier in this article, reflects the idea of state security and not of national security in the traditional sense. The object of this security is, in large part, the government itself. Although a state connotes the idea of territorial integrity, and a government implies the idea of legitimate power, in the case of Malaysia, like other Third World countries, the concepts of the state and the government are closely intermeshed. This is because, as a young country, the survival of the government is very important to the existence of the state as it involves questions of socio-political cohesion and the durability of the state as an entity. Some internal threats, although initially a threat to the status quo of a government, may in fact jeopardize a state as a whole. Ideological challenges that have been brought in by Islamists may create uneasiness not only for non-Muslims but also for more moderate Muslims who believe in living under a secular system of government. However, security of a government here will also refer to the security of a regime. The regime refers to the government-led party, that is, UMNO, which is a major factor in Malaysia's political stability. Since it is the dominant actor in the current coalition government, many important ministerial posts, such as Finance and Education, have long been monopolized by UMNO. In fact, the UMNO General Assembly has been dubbed the real general election in Malaysia because those who win the posts of president and vice-president of UMNO would assume the posts of prime minister and deputy prime minister respectively. Even policies proposed at the assembly would subsequently become the policy of the government. Moreover, UMNO's internal political struggle, such as during the UMNO General Assembly of 1987, can have adverse effects on Malaysia's economic and political stability. More importantly, UMNO has attempted to depict itself as the forerunner of the Malay cause, and claims to be the largest Muslim party in the world.[68] As this study has suggested, the strongest political threat to UMNO thus far has been PAS, since the latter has advocated a total Islamization of the Malaysian legal system. Arqam, in contrast, has appealed mainly to the growing middle class of Malays who have also

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provided the backbone of UMNO's membership and support. Any political challenge to the government can be seen as a direct challenge to UMNO itself.

Furthermore, it can be suggested that the UMNO-led government's reactions to the perceived threat of radical Islam, illustrated by the banning of Arqam and the drastic action against Ustaz Ibrahim Mahmood and his followers in Memali, should not be viewed simply through the prism of national security, because UMNO's political interest in legitimizing its position was also involved.

Malaysia's insecurity, then, can be defined in terms of all aspects of its existence — internal, such as a fragile society and religious extremism, and externally driven factors, such as territorial insecurity and intrusion. One must recognize that internally-driven threats have been part and parcel of the Third World's security problems. Although Malaysia cannot be categorized as a "weak state" in terms of political cohesion, it still has some of the symptoms of a "weak state". Its political structure, which is based on communal lines, is still fragile. It is surprisingly difficult to pinpoint major features differentiating the political agendas of Malay political parties from each other; they in fact present considerable areas of overlap. UMNO and PAS have pursued the same objectives: Malay dominance and Islamic solidarity. Furthermore, the country's financial and economic structures still suffer from the traits of mismanagement, corruption, and inefficiency. The country has to rely on foreign expertise and aid. This is best illustrated in the country's industrial projects, such as the national car project that uses technology from Mitsubishi of Japan.

In addition, Malaysia does not have a specific definition of national security. Over the years, the notion has been broadly applied. Anwar's detention under the ISA in 1974 for his anti-establishment views and again in 1998 for his demands for justice and transparency; opposition leaders being detained for disagreeing with the government; and foreign visitors and journalists being deported for being too critical of the government, illustrate the case well.[69] While it is true that Malaysia has a good record of political and economic stability, except for the 1969 racial riots, there remain many intractable problems and contentious issues. Political ideology is still a major problematique. In recent years, contending political actors have tended to use Islam to legitimize their position and authority. The mass media are still largely controlled by the government. Visible use of force by the government is another disturbing phenomenon in Malaysia, for the government has never hesitated to use force whenever it has perceived any condition that could be a threat to the regime, making it synonymous with a threat to "national security". This was clear during the Memali incident.

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The government continues to use the Internal Security Act as the main weapon in arresting political dissidents without trial. The Act, initially used as a platform for arresting communist members and sympathizers, has since seen its expanded use.[70]

Although Malay unity is a crucial factor in Malaysia's political and social stability, the argument that the concept of Malay unity is "systemically" related to the security predicament of Malaysia should be addressed from several angles. It can be argued that the concept of Malay unity should be viewed in particular context and circumstances. So far, Malay unity has been at risk when Islam was manipulated for political and personal reasons. Security became the paramount agenda when radical Islamists began to bring an over-zealous religious tone to political arguments. Yet, the threat was manageably confined to only a few states inside Malaysia. Although some PAS radical members were involved in the Memali incident, its leadership did not share Ibrahim Mahmood's radical sentiments. The majority of Malays share the moderate approach to Islam. Living in a multicultural and multireligious society is partly responsible for this attitude. Furthermore, the UMNO-led government's insistence on moderate Islam allows radical Islamism no place in Malaysia's socio-political system.

Religious extremism could pose a threat to Malaysia's political and social structure if its influence remains unchecked. This has been illustrated in the case of Egypt and Algeria. Although the target of hard-liners there was the regime in power, the main victims were innocent people and the economic and political system of the country. Yet, Islamic zealotry has been contained in Malaysia, in part because the government has the most powerful weapons in its hands — the ISA and the Sedition Act. Any "deviation" from the official line of Malaysian Islam would be subjected to the government's scrutiny and legal sanction. Another reason has also been the fact that Malays by and large are not very orthodox in their approach towards Islam and would prefer a more tolerant Islam, keeping in mind the nature of their society.

One would therefore argue that no clear and systemic link between the idea of Malay unity and national security *per se* has emerged in Malaysia, as any such link is also embedded in a more complex whole which includes other linkages and factors. One explanation for such complex interdependent linkages is that the basis of Malaysia's political system and its security predicaments since independence lies in the wider context of its pluralistic character. The Malaysian political system has functioned on the basis of communalism, when in practice Malay ethnic dominance has continued to define the system. Maintaining communal trust has been the main agenda in the poly-ethnic and multireligious context of Malaysian society. Should communal instability

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occur, the socio-political structure of the country would be at stake, thus posing a serious threat to Malaysia's security — as did indeed happen in the 1969 racial riots. Furthermore, since the riots, Malay political élites have been very vigilant of any perceived threats to the Malay prerogative. By the same token, the non-Malays are also socially and politically sensitive to their rights. Hence, while Islam has become a central force of Malay society and politics, ethnic identity and religion remain vital to the maintenance of the Malay prerogative because of its centrality to communal and political identity.

Another explanation for this inconclusive linkage is that the notion of *state* security, as already argued, is more appropriate in highlighting the security predicament of Malaysia. The national security concept involves firstly, the security of the state. Secondly, it also consists of several "national values" of safeguarding the political and territorial survival of the population, of ensuring their organic (physical and collective) survival, of establishing the conditions for economic welfare, and of achieving and preserving societal cohesiveness. Yet, as this article has suggested, security, in the context of Malaysia, tends to be defined, at least in part, by the government's political interest, as it wants to safeguard its survival. This is well illustrated by the Arqam case.

Conclusion

The excessive use of Islam has spread beyond fanatical Islamist groups and has come to represent the disturbing phenomenon of religion being manipulated for the sake of gaining political support. This trend has affected Malay unity, bringing serious socio-political consequences in its wake. Such Malay disunity, then, can be viewed as a detrimental factor for "security", broadly defined, in terms of social and political stability. In terms of our conceptual question on the systemic linkage between Malay unity and "national security", however, both the conceptual inquiry and empirical evidence suggest that there is no such clear linkage. In other words, while the politicization of Islam in Malaysia has the potential to affect negatively Malay — and Malaysian — social cohesion, it is only one factor among others in the country's overall security equation; even in the domestic security equation, it must be viewed as embedded in a far more complex whole.

NOTES

1. Anwar-il-Haq Ahady, "The Decline of Islamic Fundamentalism", *Journal of Asian and African Studies*, no. 3-4 (1992): 229-43.
2. See G.H. Jansen, *Militant Islam* (Pan Books, 1979), p. 17.

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3. *Deen* (faith); *Dunya* (the temporal world); *Dawla* (state, the political).
4. The word *dakwah* is loosely used in the Malaysian context. Originally, *dakwah* came from the Arabic word *da'wa*, which is derived from the roots *da'a*, meaning "to call" or "to invite", that is, the duty of Muslims to call mankind to Islam.
5. See Barry Buzan, "People, State, and Fear: The National Security in the Third World", in *National Security in the Third World: The Management of Internal and External Threats*, edited by Edward E. Azar and Chung-in Moon (Edward Elgar Publishing Limited for Center for International Development and Conflict Management, University of Maryland, 1988); Caroline Thomas, "Third World Security", in *International Security in the Modern World*, edited by Roger Carey and Trever C. Salmon (London and New York: Macmillan Press and St. Martins Press, 1996); and Muthiah Alagappa, *The National Security of Developing States: Lessons from Thailand* (Auburn House, 1987).
6. See Barry Buzan, *People, State and Fear: An Agenda for International Security Studies in the Post-Cold War Era* (Harvester Wheatsheaf, 1991), p. 105.
7. Ibid.
8. See Caroline Thomas, "Third World Security and Western Concept: On an Unhappy Marriage and the Need for a Divorce", in *The State and Stability in the South*, edited by Caroline Thomas and P. Saravanamuttu (Macmillan Press, 1989), p. 177.
9. Ibid.
10. The Federal Constitution of Malaysia, Article 160.
11. See Sharifah Zaleha binte Syed Hassan, "Beyond Orthodoxy: Religious Reforms and Legitimacy in Malaysia", *Ilmu Masyarakat*, no. 25(194/95): 85-108; and also Firdaus Haji Abdullah, *Radical Malay Politics: Its Origin and Early Development* (Pelanduk Publications, 1985).
12. Mohamad Abu Bakar, "Islam and Nationalism in Contemporary Malay Society", in *Islam and Society in Southeast Asia*, edited by Taufik Abdullah and Sharon Siddique (Singapore: Institute of Southeast Asian Studies, 1986), p. 156.
13. William Roff, *The Origins of Malay Nationalism*, second edition (Oxford University Press, 1994 [1967]), p. 58.
14. Muhammad Syukri Salleh, "An Ethical Approach to Development: The Arqam Philosophy and Achievements", *Humanomics* 10, no. 1(1994): 25-60.
15. This position is reflected under Article 3(1) of the Federal Constitution of Malaysia, which stipulates that "Islam is the religion of the Federation; but other religions may be practised in peace and harmony in any part of the Federation."
16. "Islamist", in this article, refers to individuals or groups of individuals who advocate a submission to the teachings of Islam, from personal etiquette to the system of governance.
17. See *Berita Harian* (Malaysia), Internet edition, 3 July 1997.
18. It is interesting to note that ABIM at this time appeared to be less vocal since the co-optation of Anwar into UMNO.
19. See an article entitled, "Reformasi: Tuntutan dan Amanah", in *Harakah* (official newspaper of PAS), 8 January 1999.
20. What the federal government has planned is to streamline *syariah* law and to transfer it to its jurisdiction. The Conference of Rulers held on 31 July 1997, gave the federal government the green light to pursue the plan (*Berita Harian*, Internet edition, 1 August 1997).
21. *Straits Times*, 3 September 1998.
22. *Harakah*, 11 January 1999.

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23. See also Jomo and Ahmeed Shabery, "Malaysia's Islamic Movements", in *Fragmented Vision: Culture and Politics in Contemporary Malaysia*, edited by Joel S. Kahn and Francis Loh Kok Wah (Asian Studies Association in association with Allen & Unwin, 1992).
24. The coalition party, or Parti Perikatan, consisted of UMNO, MCA, and MIC.
25. See the Federal Government of Malaysia, *White Paper on Threat to Muslim Unity and National Security* (1984), p. 5
26. After PAS was badly defeated in the 1978 federal elections, cracks began to appear among party stalwarts. Some party members expressed their reservations about the leadership's ability, led by Dato' Asri, in handling the party's affairs. Nationally, PAS was split between the "old guard" leadership ... struggling to retain power against the competition of the party's largely Arabic educated and Islamic fundamentalist "Young Turk'..." (See D. Mauzy, *Coalition Government in Malaysia* [Marican & Sons, 1983], pp. 130-31). By 1981, tension between the two camps became intense. As a result, Dato' Asri "was forced" to resign prior to the general election in 1982 and formed a party called Berjasa. He was replaced by Haji Yusuf Rawa who was considered to be moderate and accepted by the Young Turk camp. What was interesting was that those identified as the Young Turks, such as Haji Abdul Hadi, Fadhil Noor and Haji Nakhaei (who later joined UMNO) were in fact the products of ABIM. They decided not to follow Anwar Ibrahim's steps by joining UMNO, but rather believed that Islam was best served by joining PAS.
27. Haji Hadi Awang received his education from the *pondok* system (traditional religious boarding school) before continuing his studies at University of Medina and Al-Azhar University. His oratorical skills and fluency in Arabic attracted hundreds of people to attend his weekly morning Friday lectures at his hometown in Rusila, Terengganu.
28. *White Paper on Threat to Muslim Unity...*, p. 10.
29. See A.C Milner, "Rethinking Islamic Fundamentalism in Malaysia", *Review of Indonesian and Malayan Affairs* 20, no 2 (1986): 48-75.
30. See Halim Mahmood, *PAS Pimpinan Baru [New PAS Leadership]* (Hafar, 1983), p. 29
31. A.C Milner, op cit., p. 59.
32. See a report by *Biro Agama [Religious Bureau] UMNO Malaysia* (n. d.), pp. 10-11.
33. Ibid. The *Far Eastern Economic Review (FEER)* in its 27 August 1992 edition reported that at least 200 couples dissolved their marriage.
34. *FEER*, 27 August 1982; and 3 March 1983.
35. *Biro Agama [Religious Bureau] UMNO Malaysia* (n. d.), p. 9
36. The incident was also reported in Malacca; *FEER*, 8 May 1986.
37. *White Paper on Threat to Muslim Unity...*, p.2.
38. See Foreword, *White Paper on Threat to Muslim Unity....*, pp. iii-iv.
39. Ibid., p. 6.
40. Ibid., p. 2.
41. S. Barraclough, "The Dynamics of Coercion in the Malaysian Political Process", *Modern Asian Studies* 19, no. 4 (1985): 803.
42. He was an alumnus of the Higher Islamic Studies Centre at Nilam Puri Kelantan. He continued his studies, first at Jamaliah College in Madras, and then at Darul Ulum, Deoband, Uttar Pradesh, India, where he obtained a degree in Islamic Studies. He took another degree in *syariah'* at Al-Azhar University, Cairo, Egypt. He was also known as Ibrahim Libya because he once studied to obtain a diploma in Islamic *dakwah* (mission) in Tripoli, Libya, between 1973 and 1974. He worked as a missionary financed by the Libyan government and was attached to the Religious

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Division, Prime Minister's Department (also known as Pusat Islam). Subsequently he returned to Memali, his home village to open a *pondok* (religious school).

43. A warrant of arrest was first issued on Ibrahim Mahmood in September 1984. However, the operation was halted when some 100 of his followers, armed with sharpened bamboos, blocked the way leading to his house. The police also attempted to persuade Ibrahim Mahmood to surrender through his parents and closest friends but to no avail. The police were even threatened by PAS supporters in Memali. Prior to the incident, angry PAS supporters blocked and hijacked a convoy of police cars and vans. Among the passengers was the Baling Police Chief, OCPD Tunku Muzaffar Shah Tunku Ibrahim. They demanded the return of *parangs* (machetes) confiscated by the police weeks earlier. To avoid an ugly incident, the police returned the *parangs*. For further information, refer to the Federal Government of Malaysia, *White Paper on the Memali Incident* 21 (1986), pp.10-11.
44. *White Paper on the Memali Incident* 21 (1986), pp. 6-7.
45. Ibid., p.7.
46. Ibid., p. 22.
47. *FEER*, 5 December 1985.
48. Ibid.
49. Ibid.
50. Ibid.
51. Interview, Kuala Lumpur, 6 June 1996.
52. *White Paper on the Memali Incident*, pp. v-vi.
53. See the *New Straits Times*, 4 September 1994.
54. For details on the Aurad Muhammadiah, refer to Ashaari Muhammad, *Aurad Muhammadiah Pegangan Darul Arqam* (Penerangan Al-Arqam, 1986). For a counter-argument, refer to *Penyelewengan Al-Arqam dari Ajaran Islam* (Jabatan Hal Ehwal Agama Islam Negeri Kedah Darul Aman, 1994)
55. Interview, Kuala Lumpur, 24 May 1996
56. *Utusan Malaysia*, 6 August 1994
57. Interview.
58. *New Straits Times*, 19 August 1994
59. Interview with Professor Dr Zakaria Haji Ahmad, Head of Strategic and Security Studies Unit, Universiti Kebangsaan Malaysia, Bangi, 28 April 1996.
60. Sharifah Zaleha, "Beyond Orthodoxy", p. 93.
61. Ibid.
62. Ibid., p. 94
63. In a letter to the *New Straits Times* editor, which was published on 25 June 1996, Surapong Posayanond, the Thai ambassador to Malaysia denied the allegation that his government had provided training and logistical facilities for the so-called Tentera Badr.
64. *Utusan Malaysia*, 16 July 1994.
65. See the *International Herald Tribune*, 15 October 1996.
66. See Gordon P. Means, *Malaysian Politics: The Second Generation* (Oxford University Press, 1991), p. 72.
67. J. Nagata, *The Reflowering of Malaysian Islam: Modern Religious Radicals and their Roots* (University of British Columbia Press, 1984), p. xxii.
68. UMNO membership in 1996, according to the then Secretary, was 2,667,459 (*Star*, Internet edition, 11 October 1996).
69. *The Economist*, 10 September 1994.

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70. See Harold Crouch, "Authoritarian Trends, the UMNO Split and the Limits to State Power", in *Fragmented Vision: Culture and Politics in Contemporary Malaysia*, edited by S. Kahn and Francis Loh Kok Wah (Asian Studies of Australia in association with Allen & Unwin), pp. 23-24.

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Burma/Myanmar and the Dilemmas of U.S. Foreign Policy

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The political situation in Burma/Myanmar is in stasis between the military State Peace and Development Council and the National League for Democracy. Both have established mutually antithetical conditions for dialogue. At the same time, military power has increased, a new constitution is being interminably written under military authority, the military is intent on the destruction of the opposition's political infrastructure, the economy has deteriorated and living conditions throughout the country have declined. The U.S. policy demanding that the military honour the results of the May 1990 elections, overwhelmingly won by the opposition, and the imposition of sanctions on new U.S. investments have not been successful in either prompting dialogue or dismantling military rule. The article suggests modification of the policy, outlines the core beliefs and constraints among all parties, and outlines measured steps that might improve both political and economic conditions.

Prologue

Burma/Myanmar[1] presents problems — problems of analysis and even data. Statistics are often whimsical, events are sometimes opaque, the complexity of the past clouds our thinking, information is filtered through skewed political lenses, propaganda is rife, and the future presents conundrums even for participants in the drama, let alone observers on the periphery.

Burma/Myanmar is still, in spite of some openings, closed and secretive, where knowledge and information are power and are not

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readily shared, and where to understand these dynamics expatriate Burmese and foreigners are often reduced to reading the Yangon tea leaves, much as old China-watchers in Hong Kong or those Kremlinologists of yore were reduced to doing. The dangers of analysis are obvious; this is art, not science, not even social science. And as we all know, art is in the eyes of the beholder, so disagreement with any interpretation is inevitable because we all know what we like in art even though we cannot define it.

However murky our crystal ball may be, the importance of attempting to predict the future becomes critical so that present policies may deal with future realities. Dante Alighieri in the *Divine Comedy*, however, consigns soothsayers and their ilk to one of the lower circles of hell, although political predictions today are a growth industry. The future of Burma/Myanmar may not equate to the present, but the present will endow the future with detritus that the poor, damned prognosticator ignores at his or her peril. History may not repeat itself but it often rhymes, as Mark Twain quipped.[2]

Introduction

The past year has been a gestation period of continuing, intensified confrontations between the Myanmar military authorities (now known as the State Peace and Development Council, or SPDC), and Aung San Suu Kyi and the National League for Democracy (NLD). What may be born from this heightened, painful labour is problematic. It is over a decade since the March 1988 student demonstrations began, for completely apolitical reasons, a dispute between students and a teashop owner that descended into violence. The ensuing upheaval, reflecting the intense and pent-up economic and political frustration of much of the population, soon spread to the general urban populations and continued for months, with loss of life estimated in the thousands until the coup of 18 September 1988, which brutally suppressed dissent. What we have witnessed in the past year is but a continuation of this prolonged struggle, albeit in somewhat different contexts, but no less potentially bloody and critical.

If the foreign observer is frustrated by the political stasis and the paucity of balanced and nuanced information that seem all too evident in and about Myanmar, consider for a moment what all those involved must feel in relation to the current situation. The State Peace and Development Council which was formed in November 1997, the reincarnation of the State Law and Order Restoration Council (SLORC), must also be frustrated. In spite of joining ASEAN in July 1997 and the very modest additional legitimacy that derived from that membership, a

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legitimacy that the regime evidently sought and that the United States strove to deny, the military's primary objective in seeking affiliation was likely the expected inflow of foreign investment from member states. This has been denied to it, not because the ASEAN states would not take advantage of the opportunities in Myanmar if they could, but because of the unfortunate timing of the Asian financial crisis that has undercut the capacity of businesses in those states to invest.[3] Myanmar, probably unexpectedly to its delegation, was the obvious target of a liberalized Thai Foreign Ministry resolution, through ASEAN, to explore the internal affairs of member states, a heretofore inappropriate ASEAN consideration. The SPDC must also be frustrated by the reluctance of the multilateral financial institutions, such as the World Bank and the Asian Development Bank, to provide badly needed assistance; they have been prompted to withhold support in large part by the United States, whose sanctions on new investments are probably more of a moral than an economic force. But the policy influence of the United States extends beyond its borders and affects countries that indeed would want to resume economic assistance to Myanmar if they could do so without antagonizing the industrialized international community and their allies. Japan is the prime example of a state torn between a Foreign Ministry concerned about international relations and the American alliance, certain elements of the Diet, and other ministries devoted to trade and investment, which reflect a domestic business constituency intent on exploiting a potentially lucrative market, source of raw materials, and the contracts that would necessarily flow from renewed and massive economic assistance. The *tatmadaw* (armed forces) is evidently frustrated by the National League for Democracy and its intransigence, together with the stubborn courage of Aung San Suu Kyi, the continuing publicized confrontations with the NLD, heightening international concerns, and by the deterioration of the economy, the inflation, and the international opprobrium attached to the regime, although its hold over the society has increased as the ethnic ceasefires have continued, and military operations on the borders have subsided. Ironically, as its military control has expanded, its economic efficacy has deteriorated.

The NLD, and its leadership, must also be frustrated. It has seen its once extensive and powerful, if harassed, political infrastructure destroyed by the military, its provincial chapters closed or truncated, its local leadership arrested or forced to resign. The campaign against the NLD, and personally against Aung San Suu Kyi, as reflected in the controlled and authorized press, is vehement and unrelenting. The regime has severely cut into the party, but not affected the core. The army has also clearly attempted to split the NLD from Aung San Suu Kyi, as the former may be more interested in compromise than the latter,

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but without major effect to date. Prolongation of the stasis undercuts the legitimacy of both, but in the long run may hurt the NLD, especially Aung San Suu Kyi, as economic conditions continue to deteriorate and she is more blamed for intransigence than the military regime.

Thus, to prevent the marginalization of the NLD, which is the obvious minimum intent of the military (the goal is clearly its elimination or at least the elimination of Aung San Suu Kyi as an effective political force and rallying focus for foreign and domestic critics), the NLD leadership has engaged in an extensive series of confrontations with the government. These include: Daw Suu Kyi's forcibly truncated and internationally well-publicized visits to local party chapters; demands to rejoin (after they walked out) the National Convention, and to open it to real debate (the Convention is interminably drafting a military-scripted constitution); the requirement that the elected (mostly NLD) representatives of the May 1990 elections be seated by 21 August 1998; the eighteen foreign students and other young people who attempted to distribute flyers for the opposition; attempting to hold a party convention (resulting in the arrest and/or detention of hundreds of party followers or officials); the formation of a committee of ten empowered by the NLD to act as a parliament (since the NLD won the May 1990 elections it believes that it is the legitimate government), which in one of its first official acts was to declare that it had the authority to void all laws and regulations imposed by the SLORC/SPDC during the past decade and then declaring all laws of the military as illegal; and most recently in January 1999, to suing the military, specifically military intelligence, for attempted destruction of the party.

The latest in the series of confrontations has been over the terminal illness and then tragic death of Michael Aris from cancer in the United Kingdom. The SPDC refused him a visa to visit his wife, Aung San Suu Kyi, before he died, and Aung San Suu Kyi was unwilling to trust the SPDC, in spite of its promises, that it would allow her back into Myanmar should she have left to join him at his death bed. Clearly, the SPDC internationally lost considerable credibility in not allowing his visit.

These actions and events have had quite successful impacts outside Myanmar — they have generated considerable international publicity and sympathy for the NLD; their consequences internally are far less evident. The NLD has endorsed sanctions, which have increasingly been questioned outside Myanmar, deplored tourism and counselled tourists to stay away, criticized foreign humanitarian assistance (including and especially the Japanese) as legitimizing and benefiting the government and not the people, and discouraged international non-governmental organizations (NGOs) from working inside the country. The NLD regards

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any increase in military visibility or financial gain as legitimating and prolonging military rule.

The minorities may feel that their ceasefires, although reasonably effective in stopping the killing, have not resulted in the delivery of the goods and services anticipated, so that the lives of the citizenry have not yet improved. The Karen, fighting for two generations in what has sadly become a hopeless cause, are fragmented and on the verge of military collapse. Forced resettlement in minority areas, most dramatically in the Shan State, has caused dire economic and social conditions. The minority cries for some form of federalism have gone unheeded (except by the NLD), and there is growing concern among some of them for the need to ensure the survival of the ethnic groups as their primary objective, with democracy a secondary concern. And the people of Burma Proper, the general Burman population, may also be frustrated by the continuing economic decline, growing inflation, blatant corruption that may undercut regime capacity and acceptance, and the general political climate that continues to be as repressive as at any time in Burmese history, perhaps even more so because the state has greater capacity for monitoring and control of its population.[4]

Dilemmas and Current Conditions

The dilemmas facing the friends of the diverse peoples of Burma/Myanmar are multiple. First, how can the lives of the population be improved? Basic needs are at best only marginally met, the people suffer economically, education (once a proud Burmese tradition) has eroded, with primary and secondary education sub-standard, and much of tertiary education closed for long periods — years at a time. The health services are lacking, and agriculture is still undeveloped. At the same time, there is a parallel path for the military, where health, education, and living standards for this élite group are far superior. How then can personal and political rights be expanded, with greater access to information, ability to move around and associate, and to develop a sense of political efficacy? How also can power be shared among ethnic groups in some manner which is seen by all those involved as appropriate and non-threatening? Which of these come first, if any, and how? The military has opted for economic advances, which suits its political agenda of control. The opposition has cried for democracy first, and economic and ethnic issues could, it argues, be resolved relatively easily at that time. Some of the minorities want their rights before other questions are resolved. Foreign observers are frustrated by all this, many believing that they go in tandem. There are no easy answers to any of these questions.

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Internally, the evidence is overwhelming that the military is determined to maintain solid control over all important sources of power in the society. It will do so sequentially through rule by military decree (which was the pattern between 1962 and 1974) and then through a civilianized regime essentially hostage to the *tatmadaw* under a new, planned constitution being interminably drafted by a subservient National Convention;[5] it will mandate military control over a unitary state. The model clearly has been Indonesia in the Soeharto era, where military authority persisted.[6] Since the military hierarchy has evolved into one essentially ethnically Burman, any local autonomy or self-administration that may be granted to minority ethnic groups is tactical largesse to provide both internal and external fig leaves of cover for a unitary state in which the military will reign supreme, unchallenged by any civilianized administration that will not have the power to veto military decisions and budgets.

The military, distrustful of any form of pluralism, has controlled and co-opted civil society: only approved private organizations can function and then within prescribed boundaries. It has created its own "civil society" in the mass mobilization effort called the Union Solidarity and Development Association (USDA), a political and community development organization with military leadership and devoted to military goals, and over eleven million members. "Civil society" is thus alive and well and run by the government.[7] All forms of internal media are under strict state control and censorship, and external information is suppressed, or only judiciously distributed. Political and civil rights are effectively restricted or stifled. Rule by law is rule by arbitrarily formulated and administered edicts promulgated by the state to support its perceived interests at the expense of abstracted rights.

Two generations ago, Burma was regarded as potentially the richest Southeast Asian state. However, the potential wealth of the country, which is underpopulated for its area, has been sacrificed first on insurgencies that sapped the vitality of the civilian administration, then on the altar of an ineffective economic ideology and incompetent administration, and finally on the primacy of rigid political power and control. The economy is in parlous condition, but is not necessarily on the verge of collapse. The abrupt abandonment of a devout, non-communist socialism has encouraged the indigenous private sector and some foreign investment (but less than one-third of that in Vietnam on an approved, not yet realized, basis, which liberalized its economy at about the same time), but the state remains highly suspicious of all private sector activities not directly controlled or authorized by the *tatmadaw*, which has, and will continue to maintain,

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a direct financial interest in, and domination over, large segments of the economy. Recorded foreign investment has slackened perhaps because of political uncertainties, economic incompetence, and lack of macro-economic reforms, and certainly because of the Asian financial crisis that diminished investment from the ASEAN states, and to some degree caused by U.S. sanctions on new investments. Unrecorded, because they are not approved by the Myanmar Investment Commission, are Chinese investments that anecdotally are highly significant.

Any government is likely to be highly dirigiste in attitude towards either the indigenous or external private sectors. Major reforms, such as official devaluation, an autonomous banking system, control of the money supply, and other needed changes are lacking (although there are said to be some who advocate these changes); inflation is rampant and far higher than official statistics indicate, military expenditures eat away perhaps half of the government's annual budget, leaving little for developmental activities. Health and education are grossly underfunded; most universities and colleges remain closed. The bureaucracy has been stripped of its cosmopolitan and knowledgeable professionals. Yet Myanmar is composed of some 40,000 villages which are essentially self-sufficient economically, and in contrast to other more urbanized and integrated state economies, likely to limp pathetically along at virtual subsistence levels.

Of special significance is the increased importance and visibility of the Chinese.[8] Although they have been a resident minority of several hundred thousand for many decades, there has been an influx of Chinese from southwest China who do not need visas for border crossing, but manage to stay in the country and permeate many urban areas. There are allegations that much of the economy has moved into Chinese hands, with potentially dire consequences for social unrest. Mandalay, the seat of Burman culture, is said to have 200,000 recently arrived Yunnanese Chinese out of a population of one million.[9] The *tatmadaw* has become dependent on China for much of its armaments, and there are dangers that a government could redirect resentment onto this community, as it did in 1967, and as happened in Indonesia. As one former Chinese ambassador was quoted as saying, "We [Chinese] are walking on eggshells [in Myanmar]." Because of the killings in Indonesia, China has become more vigilant in calling for the protection of overseas Chinese. These internal factors are additional to regional concerns (especially those of India and Thailand) related to Chinese influence in the Bay of Bengal, and Myanmar's reliance on Chinese military supplies and equipment, and the financing of Myanmar's infrastructure designed to improve Yunnan trade with Myanmar.[10] China has been supporting trans-Irrawaddy bridges (someway with a view

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towards access to the Indian border), and Chinese improvement of airfields in Mandalay, Meiktila, and Pegu potentially give them avenues towards the Bay of Bengal.[11] Chinese assistance is also supposedly developing port facilities along the Myanmar littoral, and there have been rumours of a Chinese tracking station in the Bay.[12] From a stagnant backwater, Myanmar has been transformed into a source of regional concern and understated, but none the less significant, rivalry.

The leaders may generally be characterized as xenophobic, both externally and internally; they are all ethnic Burmans, and as much as they denigrate foreigners, whom they claim can never "love" them and attempt to destroy their culture, they need foreigners as tourists and for investment. They regard the internal minorities with varying degrees of disdain and overt discrimination in access to positions of power. They are suspicious of the private sector, which in the past had largely been controlled by external minorities — Europeans, Indians, and Chinese. Their understanding of contemporary issues is framed by this unfortunate past, in which emotionally they seem transfixed, and by those no-longer relevant conditions.

The confrontation between the SPDC and the NLD has intensified in the past several months, with the language of vituperation spewed on the NLD and its leaders increasing in intensity. There is talk in the controlled press of forced deportation of Aung San Suu Kyi, which the government denied, but which may have been a trial balloon. The SPDC is obviously intent on splitting the NLD by agreeing to discussions excluding "the lady", as she is known ("our lady" to some younger dissidents). This the NLD has rejected, saying that each side should be able to designate its representation in any such dialogue that might develop. This stalemate has prompted some knowledgeable Burmese to blame all parties for the continuing and politically stultifying confrontation that is harmful to the country. As these events unfold, it has become evident that the NLD has been successful in increasing foreign attention to its plight. But other groups have been dissatisfied with the present U.S. policy, which calls for the recognition of the results of the May 1990 elections, and thus a new government; hence, no progress is possible. Human Rights Watch/Asia has called for a reassessment of policy; the Center for Strategic and International Studies (CSIS, Washington, D.C.) and the Cato Institute, among other groups, have written against the sanctions policy on both ideological and business grounds. There is growing opinion in many circles in the United States that sanctions imposed on a multitude of states have not produced the intended results.

United States policy calls for the present military government to honour the results of the May 1990 elections, and thus seat the National

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League for Democracy. Although the United States does not say so, some would argue that this is tantamount to telling the government to get out of power before discussions can take place with it. The United States has imposed a travel ban on senior regime officials (thus further reducing the possibility of higher-level dialogue at international fora in the United States), although discussions are held in Yangon, and has imposed sanctions on all new U.S. investment. The United States refused to attend an Interpol meeting in Yangon on narcotics control in February 1999 on the grounds that it would further legitimize the military regime, but in so doing it ignored the opportunity to have a dialogue with the regime on its home turf. This has occurred in spite of the reduction in opium production from an estimated 2,500 metric tons to a present level of 1,750 metric tons. This reduction was in part due to weather but also to increased eradication and crop substitution.[13] It has also had an arms embargo and prevented the appointment of a new American ambassador. There are elements in the U.S. Congress that have called for the virtual recognition of the NLD as the legal government of Myanmar, and want international programmes, such as those sponsored by the UNDP (United Nations Development Programme), to have Aung San Suu Kyi's formal consultation, and even approval (rather than informal acquiescence, as has taken place). This was initially opposed by some in the U.S. State Department. Under legislation passed in November 1998, however, the UNDP programmes have to be subjected to prior consultations with both the NLD and the National Coalition Government of the Union of Burma (NCGUB), the government in exile in Washington, D.C. Yet the NLD maintains that it has no contact with the NCGUB and there is no co-ordination of activities — the NLD acts internally and the NCGUB externally.[14] Major changes in U.S. policy seem unlikely under present circumstances. Prospects look exceedingly gloomy, and the picture is not a pretty one; if analysis of Myanmar is an art, we may be looking at what might be called the "ashcan art" school of politics.

Assumptions and Constraints

The NLD has called for negotiations, and the SPDC has said that it would not negotiate with the NLD as long as Aung San Suu Kyi and Tin Oo are involved. This impasse may continue, but it is prudent to prepare for dialogue and, potentially, negotiations; to do so requires a realistic assessment of priorities and issues. If one is to consider the effectiveness of policies, present or proposed, and be prepared to understand a society in order to negotiate any of the issues, it is imperative to consider not only the objective conditions at the time, but also the assumptions and perceived constraints under which any

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party to such negotiations operates, however much these may reflect or be inconsistent with this objective reality. All parties must also objectively consider their own negotiating constraints, and distinguish between hopes and possibilities.[15]

Most important are the internally and externally oriented core values that parties to any potential negotiations maintain beyond the cant, propaganda, and public relations statements that are associated with the staged pronouncements that are made to assuage international opinion and to mobilize internal support. These beliefs often are ignored or denigrated by outside critics, who often doubt their existence or find them illogical, but it is important to differentiate between those views that are strongly held, which may be completely incorrect, however tenaciously they are promulgated and repeated, and those that are simply propaganda. Of course, one assumption of this article is that there are such views, and although some might dismiss official statements with which one disagrees as mere propaganda, the case may be made that any party to any negotiations comes to the table with some almost primordial conceptions.

An important caveat should first be stated. Although one speaks of the military in the singular, one does this as a rhetorical convenience (and as a result of a considerable measure of ignorance, for much of the military leadership is effectively "off-limits" to foreign dialogue) that reflects the unified public image and corporate decisions of the élite leadership. But it is highly probable that there are significant differences within this élite, not to mention other elements of the military. In spite of these differences, which may reflect policy debates, personal rivalries, and factional groupings, much of the élite probably share the views enumerated below to a significant degree, and the differences may be more apparent in tactical responses towards reaching agreed goals than in disagreement about the goals themselves. If the military has potential fissures,[16] it would be well to remember that the NLD, and the minorities separately and together, have potential splits as well. Power is highly personalized, and as a result factionalism has been an important characteristic of Burmese politics since at least 1937.

These élite military views may be divided into those that are internally and those externally focused.

Myanmar Military Views — Internal

- The military believes that it is the only present and future institution capable of keeping Myanmar united as a single country, and that pluralism is destructive of national unity. This assumption is true at present because the military has effectively destroyed every other

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institution that might have played that role. It will be true in the future only insofar as the military prevents the rise of pluralism within the governmental structure and the growth of civil society. This is why it has essentially replaced earlier state ideologies (including socialism under the military-led Burma Socialist Programme Party [BSPP] regime, and Buddhism under U Nu) with an ideology that effectively focuses on the military itself and its comprehensive societal role. Where under the military's Burma Socialist Programme Party period (1962-88), the military was portrayed as the keeper of the socialist flame, today it is the military itself that is the ideological nexus of society.[17]

- The *tatmadaw* considers past political leaders as venal, corrupt, ineffective, and incapable of running the state and assuring its unity.
- The military believes that the minorities are inherently inferior (culturally/socially) and would split from Burman authority if given the chance. The military also believes that the minorities are distrustful of the Burman majority (including the military) and fear Burman domination. The military provides only lip-service respect for minority culture through ritualized holidays and propaganda efforts. It equates Burman Buddhist culture with the state and wants some form of central (Burman) control. Advocacy of Buddhism, association with the *sangha* (Buddhist monkhood), the building or repairing of Buddhist shrines (including adding one ton of gold to the Shwedagon Pagoda in 1999), are part of the search both for political legitimacy and personal religious merit. The state goes to great and continuous lengths to demonstrate its reverence for the *sangha*, and the leadership is continuously depicted in the media at supportive of Buddhism. Buddhism is intimately associated with political legitimacy.
- The military views economic progress, reform, or liberalization as secondary to the maintenance of political control, or indeed as a means to such control. The primary function of an improved economy is greater military power, general political acquiescence of the population to military control through military delivery of greater economic rewards for loyalty, and improved political legitimacy. To this end, the military believes that it must control the economy and establish direct mechanisms (Myanmar Economic Holdings Co., military-run factories, etc.) and many indirect ones ("private" banks, USDA businesses, etc.) to do so.
- The military views any form of pluralism within the administration at any level, in the dissemination of information, and among non-governmental organizations, as a threat to the state and its control.

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- The military has no intention of giving up essential power, however much a civilian facade for its control might be pursued.
- The military has no intention of granting to minority groups any significant degree of power at the national level, although some modest local self-government will be given to some groups with which ceasefires have been arranged.

Myanmar Military Views — External

- The Myanmar regime believes that the country is surrounded by enemies — real and potential. These threats no longer take the form of territorial aggrandizement, but economic domination and the possibility of encouraging separatist tendencies among minority groups. This fear is based on a reality once extant, but now completely outmoded. These past instances of such foreign support are well documented, and include American assistance to Kuomintang (KMT) forces in Burma, Pakistani-Bangladeshi support for Muslim insurgents, Thai help to a variety of insurgent groups (both ethnic and Burman), Indian backing of anti-SLORC groups, some British support for the Karen, Chinese aid to the Burma Communist Party, the inclusion of northern Myanmar in early KMT and PRC Chinese maps, and a general perception that Christian minorities have closer support and contact with foreigners than do the Burman Buddhist minority.
- These fears include China as potentially (or perhaps even presently) having undue influence in Myanmar.
- The military regard the United States as highly significant to them, but distrust U.S. motives and influence, believing that if sufficiently provoked, the United States might intervene militarily in Myanmar.[18]
- Foreign public criticism of the SPDC simply forces a nationalistic response, and foreign pressures for reform are viewed as infringements of Myanmar's sovereignty, while foreign support for the NLD undercuts the NLD's potential legitimacy (in their view).

NLD Assumptions

- The military is out to destroy the party.
- The military is intent on splitting Aung San Suu Kyi from the party.
- There is a potential role for the military under a truly civilian (NLD) government, but one under civilian control and review.
- The immediate needs are to maintain the NLD as an entity and to seek continued international support, including sanctions.
- The military must be denied any possible avenues leading to an

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increase in its public legitimacy, internally or externally. This includes opposing any humanitarian assistance that benefits the SPDC or its agencies (for example, USDA), and the operations of foreign NGOs in Myanmar, as well as denying the government the foreign exchange generated by tourism.

Other assumptions related to the United States and its policies in Myanmar:

- Myanmar is low on the prority list of U.S. foreign policy concerns even though the Secretary of State has taken a personal interest in the human rights and political problems of that country.
- The United States has residual anti-narcotics interests that are important but not sufficient alone to drive policy change. Although anti-narcotics priorities were more important to the United States in the BSPP period, when considerable U.S. assistance was provided, since the SLORC/SPDC period, and largely in response to internal U.S. public pressures, human rights have become more significant in policy formulation than anti-narcotics activities.
- There is a significant lobby within the Congress and in the U.S./international non-governmental community insisting (minimally) on greater political and civil rights, and more comprehensively, that the military relinquish its authority as a result of the May 1990 elections, and for Aung San Suu Kyi to assume the reins of government.
- The presidency in the United States at this time is domestically exceptionally weak, and its foreign policy is preoccupied with the Balkans, the Middle East, China, and Japan.
- Although the executive and legislative branches are in formal agreement at this juncture, should the administration desire to shift its present policies, it will not be prepared to use up any political capital it still might have on confronting the Congress, or individual congressmen, on Myanmar issues.
- U.S. policy — including lifting sanctions, the presence of a U.S. ambassador, and so forth — is unlikely to change to any considerable degree without major internal reforms in Myanmar because it would be seen as a reward and be politically indefensible within the United States.
- This policy will limit the capacity of any U.S. administration in the near future in agreeing to multilateral donor assistance to Myanmar without clear *quid pro quo*.
- If such amelioration were to take place in the near term, it would be opposed by Aung San Suu Kyi unless it is accompanied by the

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release of political prisoners and the freedom of the NLD to operate as a real political party.

- Other more important policy issues with China (trade, human rights, influence on North Korea, and so forth) mean that Myanmar is low on the priority list for bilateral discussion.
- Individual congressmen believe they cannot be seen to be supporting a pariah regime, and thus will follow a minority strongly opposed to the amelioration of present U.S. policies.
- At the same time, there is a significant body of businessmen who, perhaps for intellectual or financial reasons, believe that private sector activity will (eventually) bring democracy.[19]
- Japan desires to resume major foreign assistance and is only prevented from doing so by U.S. pressure.
- Potential Japanese assistance is important to Myanmar. Japan's past role has been essential to the survival of previous Burmese governments, and it has strongly influenced positive change (the shift to the private sector) in the past.
- China could be influential in bringing about change if it were convinced to play such a role, in spite of Burmese concerns about their already considerably exposed position. China believes that a stable, friendly, pliant regime in Yangon is in the Chinese national interest, and would support the present government in the face of induced change. China is, however, concerned about increased narcotics activities and HIV rates in Yunnan but emanating from Myanmar.
- Although Indian relations with the Myanmar regime have improved since the government of Rajiv Gandhi, India views with suspicion a Chinese presence and influence on its undemarcated northeast frontier, which was the scene of fighting in the Sino-Indian War of 1962. This would mean China outflanking its unstable northeastern states, thus giving Chinese access to the Bay of Bengal.

The Changed International Milieu

After years (1962-88) of international neglect under a thoroughly autocratic military regime every bit as politically repressive as the SLORC/SPDC but which received extensive international economic assistance (including from the United States), foreign attention and sympathy have focused on Myanmar because of six new factors: the opening to the private sector and the lure of quick profits from a cowed, unorganized, and underpaid labour force, and Myanmar's inherent natural resources; the massacres of 1988 (a year before the Tienanmen incident in China); the blatant ignoring of the results of the May 1990 elections so over-

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whelmingly won by the opposition; the increased international attention on human rights, and the creation and/or strengthening of bureaucratic mechanisms for monitoring and responding to violations (in spite of the fact that the Universal Declaration on Human Rights dates from 1948, and Amnesty International has been around a long time); the personal magnetism and strength of Aung San Suu Kyi and her internal and external support, including being awarded the Nobel Peace Prize in 1991; and the growing, articulate, educated, expatriate Burmese community that has effectively organized itself and other supporters through the new technology of Internet and e-mail in anti-military activities.

During the military-run BSPP period, in spite of the pervasive nature of political repression and the inability of the state to manage effectively its socialist economy, foreign assistance poured into Myanmar — mostly from Japan and the multilateral organizations, such as the World Bank and the Asian Development Bank, but also from West Germany and smaller European nations, and even from the United States for both counter-narcotics activities and basic human needs and training. But there was at that time little, if any, discussion of human rights except from some members of the Burmese expatriate community. No doubt, the influence of the Cold War and East–West competition affected attitudes as well. Now, opinions have become polarized, and since that period, the stakes have been raised and positions have hardened.

This polarization has been intensified by two constraints: first, the unwillingness of foreign observers or governments interested in democracy or liberalization to criticize any of the policies of the NLD or Daw Suu Kyi because this would provide propaganda ammunition to the SPDC and be used against the liberal movement, thereby strengthening the regime; and secondly, the conscious decisions by foreign observers not to compliment the SPDC on any action it took that might be considered to be "right" or appropriate because it would serve the regime's interests and increase its legitimacy. Thus, virtual prohibition, on the one hand, of outside criticism of the tactics or policies of the NLD, and on the other, prohibition of complimentary remarks about the SPDC have become a political weapon against those working for reform and/or compromise.

Future Prospects

At present, political stagnation continues. But if change were to occur in the next two years, it might well be traumatic. The possibility of political stasis continues, with the NLD making every effort to publicize its existence and potential, both internally and externally, by forcing confrontations that effectively attract foreign press and sympathy; the

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more this is effective, the more the SPDC will charge that they are controlled by foreigners and use this as an internal weapon against them. The military is more powerful than it ever has been, because of expansion of personnel, weaponry, and the ceasefires with insurgents that have freed troops from fighting on some peripheral areas. The military has indicated no interest in compromising with Aung San Suu Kyi, or sharing power with the opposition. But the ceasefires with the minorities will only hold insofar as their well-being improves through services provided by the centre. To reform the economy, the SPDC wants and needs large infusions of international financial assistance, which will not be forthcoming (in large part because of U.S. pressures) without substantial political reform and cessation of human rights violations. But the SPDC has specifically indicated that no "strings" should be attached to such aid.[20] Foreign assistance is also needed in the minority regions as an element to maintain these fragile ceasefires. The SPDC has dealt with international NGOs on a piecemeal basis, approving each operation or programme separately.[21] It has exacerbated its difficulties by defaulting on repayments to the World Bank in early 1998 on the circular argument that if the Bank supports it, then it will repay old loans; this is contrary to bank policy. It has since altered its stand in the Fall of 1998. Political stasis thus affects economic progress.

The *tatmadaw* leadership, now held together because the members need each other to survive and to retain the perquisites of their commanding position, has shown signs of fissures, essentially now between the line command and the military intelligence community. The formation of a sixteen-man "political committee" on 18 September 1998[22] is significant because it is chaired by General Khin Nyunt (SPDC Secretary 1) of the military intelligence and is composed of many of his associates. It may signal the formation of a government-related political party, a possible link to the mass USDA, or even a first sign of a challenge to General Maung Aye and the regional line commanders, who increased their role in the leadership in the November 1997 transformation from the SLORC to the SPDC. Because of traditional concepts of personalized power, factionalism and entourage formation have been characteristic of Burmese politics, and the military is not immune. The possibility of overt tension is ever present. A retired senior military officer, commenting on this possibility, remarked, "[General and Chairman of the SPDC] Than Shwe is riding a bullock cart with a pair of bulls [Generals Khin Nyunt and Maung Aye]."

The additional glue that holds them together is the oversight of retired General Ne Win, former President, Commander, Chairman of the government party, an important figure since independence in 1948 and autocratic leader since his coup of 1962, and the strongest single

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personality in the country.[23] At age 88, he may soon go to his karmic reward. This may induce more overt splits and jockeying for positions of power within the military that could even lead one group to seek alliances and compromises with the opposition (the General is said to have a special antipathy to Aung San Suu Kyi and even to her father, to whom he was subordinate until the latter's assassination in 1947) and/or with some of the more powerful minorities. At worst, this could dissolve into civil war, although this seems less probable at this stage. At best, it could offer hope for the amelioration of regime rigidity. Latent political and social unrest are present and will continue to fester, restrained beneath an exterior made placid only through implicit force. As a senior former military officer said, "The government will not collapse as long as it holds the bayonet." A regime misstep, even one produced by a low-level bureaucrat, or blunder, or skyrocketing urban inflation of essential foodstuffs, such as rice and cooking oil, could engender riots reminiscent of 1988 and the people's revolution.[24] Continued deterioration of the economy might prompt the search for scapegoats, both spontaneous and officially induced. The Chinese community is the most obvious target because of its increasing presence and affluence. This occurred in 1967.

The potential for economic progress is thus dependent on political change, and yet real (in contrast to cosmetic) change is unlikely. The difference between a regime change and one of a particular government should be kept in mind; the government and its leaders may shift (it could be based on tactical considerations or personal ones — for example, Than Shwe for Saw Maung),[25] but a regime change is more basic, involving, in the Myanmar case, removal of the military from essential state control, and this is far more difficult. Although the immediate prospects are dim and the future in the shorter term uncertain, unbounded pessimism is not completely warranted. Although the military will likely continue as the determining power and influence in the society, it should not be thought of as singular, but potentially plural. There are individuals among the *tatmadaw* who have more expansive visions. Many military officers have now been exposed to the external world and have access to more international information. Moderate elements exist and could play a more significant role. The opposition is not without some power and moral authority. Aung San Suu Kyi is a very strong person with charismatic appeal, not only to foreigners. Should anything untoward happen to her, it could easily spark an anti-military revolution, for whoever might be responsible, the military knows it would be blamed. A coup of dissatisfied younger officers who believe that the reputation of the military is being sullied by corruption or political power might occur, or the refusal of troops

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to fire on rioting civilians (as has happened in a number of countries) could also prompt political transition. The cries for change seem widespread. This present stasis is debilitating. But should the NLD be propelled to a position of power by some unexpected events, it would also not be immune to the factionalism so prevalent elsewhere. As the military is held together to retain power, so the opposition is united to achieve it.

Now, about one per cent of the population of Burma/Myanmar have emigrated (in addition to the refugees along the periphery in Bangladesh and Thailand numbering some 110,000-120,000 — and unskilled labour, about 700,000 before the economic crisis, in the latter), and they are a highly educated group, many of whom would return under more favourable political and economic conditions. They may be a force for the future, even under a liberalized military-dominated government, and not only should the NLD come to power. They are inclined towards the opposition, but might be induced to contribute to a regime bent on reform and liberalization, one that has pluralistic centres of power. This was true in Cambodia. It may be idealistic to talk now about democracy in terms that would allow international comparisons, but pluralism would be feasible as an intermediate stage on this road.

First Steps

The dilemmas for U.S. foreign policy towards Burma/Myanmar are both internal and international. Human rights and humanitarian interests are both domestic to that country and of world-wide interest. Security related to regional rivalries is of importance, as are relations with China and Japan, each of which may have different interests in furthering its good relations with that administration. The countering of international narcotics distribution is also a world-wide U.S. priority.

It is evident that international credibility can suffer from inconsistent policies (however much they may reflect American interests). The United States can continue to occupy the moral high ground, in contrast to U.S. policy in China, because it has only marginal interests in Burma/Myanmar. However, this highly moral position is seriously compromised because it is clearly inconsistent not only world-wide, but in this region itself (for example, China, Vietnam, and Indonesia). It is true that the United States does not want to see an increase in narcotics trafficking, and wants it eliminated, and it would be seriously concerned should regional rivalries among China, India, and Thailand centred on Myanmar, Chinese access to the Andaman Sea, and Chinese economic hegemony, become potentially explosive. Yet, the influence that the United States

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can exert on these three countries is also limited because among all the issues with which it needs to negotiate with each of them, or with ASEAN itself, Myanmar is not of first priority in spite of Washington's resolute objection to Myanmar's entry into ASEAN. Yet, the United States could be drawn into confrontations over Myanmar because it has a defence treaty with Thailand, although admittedly this would be a remote possibility.

Yet, the U.S. position is rigid and unlikely to move any group forward. The United States has, in effect, asked the SPDC to negotiate with the National League for Democracy by honouring the results of the May 1990 elections, and then it will talk about eliminating sanctions, approving multilateral economic assistance, and so on. This is not the basis for negotiation — rather, it is an obvious formula for stalemate. As in a number of other countries, the United States has also personalized foreign policy by relying on a single individual, and by assuming that there is mutuality of both tactics and goals when the United States' and the NLD's long-term interests may be compatible but their shorter term objectives may be somewhat different, although neither may be inappropriate for its proponent. It should also be noted that even as we regard it, and the Burmese military may act, as singular when in fact it may be plural, it is also apparent that the United States is plural. The U.S. State Department watered down the congressional motion for sanctions (from retroactive investments to future ones), and it may be that there could be differences within the State Department on Burma policy rather than consensus among staff. As always, any major change in policy would require congressional as well as administration concurrence.

Even if one assumes that the above scenario related to the passing of General Ne Win to his karmic reward is erroneous, and there are those in Yangon who say so, then what are the next steps? We are presently in stasis, with the military attempting to marginalize the NLD, or split it from Daw Suu Kyi, or expel her from the country, and she is determined to garner foreign support to hold on to her tenuous position. There is admiration for her pluck and determination, and her stated objectives are certainly compatible with U.S. conceptions of good governance, however problematic they might be made manifest should she and the NLD come to power. Is it U.S. policy, as in Iraq, to foster revolution to overthrow the regime? Is the United States prepared to see blood in the streets if there should be a popular revolt? And would the United States intervene? These possibilities are highly unlikely. The NLD has publicly eschewed violence (to advocate it would make the NLD illegal). One might remember Hungary in 1957 — far closer to U.S. national interests — when the United States did not intervene. The U.S. military would likely be strongly opposed to

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such intervention that could put America in an ambiguous, perhaps confrontational, position with China.

The United States, by insisting on "democracy" and essentially defining it simplistically in terms of free elections may be creating future problems for itself in terms of the credibility of the results when such elections take place. Whether there is a sufficient heritage or experience of relative freedom in Myanmar to make it meaningful among a significant percentage of the population is the subject of intense debate among academicians who study the country. This is not to espouse what has euphemistically been called "Asian values", which often is a justification for political repression, and has been so used by the military. Rather, there are other aspects of democratic governance (concepts of power and authority, for example) that are critical. In addition, the concept of gradual change in regime ideology through liberalization seems not to have been an alternative carefully considered. This means discussing how civil society might be built, how pluralism could be expanded, and how political rights might be gradually restored. It is an approach that is frustrating, however, because it is incremental and lacks the clear and distinct decisiveness of the strategy that the absolutism of demanding democracy provides and that Americans seem to prefer, but it is likely to be far more effective than the absolutist one now operational.[26] As is often remarked, democracy is process, not product.

The United States has backed itself into a corner from which escape is difficult. Its position will not change without change inside Myanmar, and yet to pursue the Japanese option, which is to seek solace in a transparently superficial accommodation, does not get to the heart of the matter and is patently cosmetic. As in so many country negotiations, the United States is often accused of "moving the goal posts", making more demands over time as earlier ones are met.[27] So accommodation on one point will produce pressures for further changes. And there is currently a rule of thumb that the less national interest the United States has in a country, the more human rights looms large in policy.[28]

If the goal is to motivate the military to move from the centre of political power, study of how this has occurred in other states might be useful. What other legitimate opportunities for the military exist in any given society, assuming that the national goal of unity is met? Access to a few levels of power through control of some economic assets and through the representative political processes are means that seem to have been important in a number of countries, Thailand being one example. These have provided avenues of mobility for the military leadership, both those on active duty and in retirement. Should there be change, how will the issue of retribution for previous military

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excesses be treated? The NLD leadership has said that there will be no retribution, but the people might disagree.

This bleak situation may be a cause for pessimism, but it need not be a prescription for inaction. The United States, through quiet, high-level, private discussions in some third country should begin to offer positive inducements to the military. These might take the form of staged sequential or parallel benchmarks, the completion of each of which would allow the next action to be initiated; if no action took place, a reversion to a more rigorous policy would follow. This might be called a "road map", but in fact that would be a misnomer because normally a road map leads to a destination, but here one is predicating actions that move a process forward towards an unknown, though one hopes a more liberal, end. It is, as Graham Greene once wrote about Africa, a "journey without maps".

Common Goals?

To negotiate requires some commonalities — what goals, if any, exist? Is one, as the Koreans say, in the same bed but with different dreams? With the NLD, the United States has the same dream, but perhaps the two are in different beds. The goals may be shared, but the process to reach such goals, although ideally dovetailed, may not succeed. The United States might have shared goals, and perhaps processes, with the Japanese, but the conditions for implementing actions and the pace of change could well be quite different. The Japanese are prepared to move with (from this viewpoint) too much alacrity towards accommodation. With the SPDC, one seems to start from different premises, and, if analysis is accurate, work towards different ends. But it might be possible to explain to the regime that it could accomplish some (if not all) of the most important goals it has set for itself (such as the cardinal principles of national solidarity, sovereignty, security, and development), through a different path that would benefit the people, consolidate the state, protect the integrity of the armed forces, and reduce foreign opprobrium. Compromise could result in the achievement of some (but not all) U.S. goals. The importance of the maintenance of the dignity and prestige of all parties to the negotiations cannot be underestimated. Face must be saved, but, in this instance, face is as much a Western as an Eastern requirement.

About five years ago, this writer had suggested a compromise to some of the SLORC authorities that he felt might have moved the process forward. Under that proposed scenario, the SLORC would have called into session the National Assembly voted into office in the

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May 1990 elections, just before their term was to expire, although that term was never made clear. The agreement, made in advance, would have been for the Assembly to vote to allow the military to govern (with civil liberties to be promulgated and political organizing to take place) for a specified period of time, perhaps to write a new constitution, after which there would be a new election. The precedent for this would have been the 1958 Burmese military "caretaker government" (1958-60) that was constitutionally voted into power by U Nu's civilian government, and which has been regarded by both military and foreign observers as quite successful. This would have been a "Burmese" solution based on a Burmese precedent. Under this suggestion, the election would have been titularly honoured, the military assuaged, and political stasis avoided and perhaps foreign aid and economic development furthered, governance liberalized, and the opposition allowed to organize for a new election. This idea was ignored. Can it be resuscitated?

In any plan, it is important to remember the lessons from foreign assistance in the 1970s and 1980s. During those decades, economic aid flowed too easily, with the result that the BSPP regarded assistance as its due, and reforms were slow to be approved and haphazardly implemented. Assistance of any sort (including humanitarian activities) should have carefully constructed and defined benchmarks of mutual action, the violation of which would prompt the cessation of programmes. Open-ended assistance, if experience has meaning, will not produce the expected results.

If the commonality of goals is difficult to achieve, there may be commonalities of limited agendas. For example, stripped of propaganda, it may be that the SPDC is really interested in reducing or eliminating the drug trade as the fall in opium production has indicated. (It is not interested, however, in eliminating the money laundering that has gone on from the past activities of such dealers as Khun Sa and its investments in business and industry, although this is a U.S. concern). There seems to be no direct evidence that the SPDC, or central official entities of the state (as opposed to local military commanders or civilian officials), is directly benefiting from the trade. Is there a limited basis of common interests in working on programmes in this field? What about humanitarian assistance or endemic disease controls? Or controlling environmental degradation? Is there mutual interest in alleviating poverty and/or assisting the peripheral peoples to improve their conditions and thus control centrifugal tendencies? There are a variety of issues that might contribute to some of the ends of a number of the participants in any future dialogue. Only dialogue will tell, but such dialogue seems lacking.

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Perhaps, as the military is wont to say, confidence-building measures might be induced between the SPDC and the NLD. These might start with simple, rather obvious actions: the NLD might accept the three principles of the military (national unity, sovereignty, and so forth), since in the abstract it would mean that the military is not the sole proprietor of these goals, which apart from their advocacy by the military are likely to be widely accepted. In turn, the SPDC could lift some of the repressive measures, such as eliminating the vitriolic press comments on the NLD and Aung San Suu Kyi, and lifting limitations on assembly by more than five people without government approval. A series of small movements might lead to sequenced easing of the confrontations now taking place.

Specific Actions

Complaining about stasis and stalemate accomplishes little except to increase general frustration. Although compromise is difficult in many societies in which power is viewed as personalized, and the leadership always speaks *ex cathedra*, some attempts are necessary if the peoples of Myanmar are to see their lives improved. Some positive, perhaps tentative, steps might be taken which could include the following:

- Because of the potential influence of both Japan and the United States on development in Myanmar, preliminary efforts could be made to set up a Track-2 dialogue between Japan and the United States that would sustain discussion of both policies and the facts as they exist. As agreement or confluence of views is reached, subsequent meetings with appropriate Burmese in a quiet and apolitical atmosphere could be arranged. There are no unofficial channels in Myanmar except the opposition, but since an even-handed approach of working with the regime and the opposition (and minority groups as appropriate) is required for credibility of intentions and efficacy of results, foreign parties must first reach consensus on approaches. Japan and the United States should reach unofficial agreement on some plan or benchmarks, and then bring these to the attention of the official communities, after which informal discussions might take place with various groups, the government and opposition, in Myanmar. A co-ordinated but unofficial relationship at the beginning might be more fruitful. Any U.S. administration would have to carry out quiet discussions on these issues with congressional leaders.
- Then (not listed in sequence):
The United States could guarantee the territorial integrity of Burma/Myanmar to assuage fears of national dismemberment. ASEAN, led by the relatively liberal Thai Foreign Ministry, could join this

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guarantee along with China and India. This would reaffirm the status quo.

- Agreement could be reached to withhold United Nations voting on human rights issues in Myanmar for a specified time (one or two years) when agreement has been reached to ameliorate political repression, to allow time to measure improvements.
- International NGOs could be encouraged to expand their humanitarian activities inside Myanmar.
- Agreement, subject to multilateral donor economic criteria, could be reached to restart foreign assistance from the World Bank and the Asian Development Bank for poverty alleviation activities.
- A U.S. ambassador could be appointed in Yangon.
- Sanctions could be gradually lifted.
- The United States could support environmental projects in co-operation with ASEAN.
- A study/action plan for addressing some systemic issues related to poverty and humanitarian assistance with Burmese-foreign participation could be initiated.

  This would be contingent on the SPDC taking the following actions (not in sequential order or priority listing and staged in relation to the inducements noted above):
  - Ceasing harassment of the opposition, including (but not limited to) Aung San Suu Kyi, and release of political prisoners.
  - Presenting a timetable for completion of a constitution that would ensure political and civil pluralism, perhaps staged over some discrete period.
  - Presenting a timetable for more freedom of information.
  - Making macroeconomic reforms (such as exchange rate, money supply, central banking autonomy, and so forth).
  - Establishing reasonable and standardized guidelines (for example, on registration, visas, residence permits, import of supplies and relief, or educational materials, customs clearances, reporting mechanisms, and so forth) for the operations of foreign NGOs in Myanmar.
  - Serious negotiations with the ethnic minority groups on some form of power sharing but with stipulations of national unity.[29]
  - Setting a date for a new election that would be free.
  - Determination of a system to protect the integrity and legitimate interests of the *tatmadaw*.

In effect, the United States would be tacitly admitting that the military will continue to play an important role in Burmese society, retaining an ultimate veto power over actions potentially leading to the breakup

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of the state. This admittedly will be unacceptable to many in the United States and to many Burmese expatriates. It may be unacceptable to the Burmese military as well. Yet without specific suggestions for moving the process forward, it is the Burmese people who will continue to suffer.

Conclusion

Although there are a number of possible approaches to Burmese issues, there are no answers that will satisfy all parties, internal or external. Although any amelioration of the internal problems of Myanmar must come from the Burmese, the role of the foreigner may be to suggest avenues of discussion while careful to avoid identification with specific internal political entities, and while upholding political ideals and goals.[30] It is, after all, the betterment of the future of the peoples as a whole that is of concern. What are listed above are some of a multitude of potential paths towards progress.

To follow any such paths would in effect recognize that the immediate (not longer-term) objectives of Daw Suu Kyi and the United States were regrettably not identical. This would be interpreted in some circles as abandonment of her and U.S. democracy objectives. This is only partly correct; U.S. democratic strategic objectives remain intact, but tactics shift to gradual liberalization that has more chance of success. It would not be abandonment of the NLD, but a type of separation, not divorce, for Aung San Suu Kyi would be free to pursue her political objectives but without having articulated U.S. support, and perhaps she might assume political leadership at a later date. Is this an unpleasant shift from idealism to pragmatism? Yes. Is it a possible scenario — yes, although unlikely. Are there alternative avenues that might, if pursued, in the longer term move Myanmar towards pluralism? Perhaps, but if so, they have not been articulated or essayed. This article is simply an attempt to move the process forward, and if it encourages others to consider other, perhaps more realistic, alternatives, it would have been successful.

It is not appropriate simply to wait (as if for Godot) for change that seems unlikely to come without effort, or to call for bloodshed on the streets of Yangon and Mandalay. One is seeing a concerted plan to marginalize the opposition in Myanmar, and it is likely to succeed over time through intimidation and sheer attrition. It is true that latent fissures in the *tatmadaw* might become active and evident, and the results might change predictions. But in the next few years time is in favour of the military, even if over a decade or two it will likely be on the side of liberalization. If this is true, then the present stasis is destructive of the liberal goals for which observers would hope, and should be ended, if possible. If one's purpose is to concentrate on the well-being of the

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Burmese people as a whole, to assist them out of the poverty so evident in the urban slums and in much of the rural sector, and to avoid bloodshed and begin the process of liberalization, then compromise that honour the core interests of all parties and the people should be proposed. This may not be the Panglossian best of all possible worlds, nor even what one might wish, but it may be enough to move the people forward — and that would be a major improvement.

It is difficult to write prescriptions that one knows will satisfy no one; yet, if compromise is not proposed — compromises that necessarily do not fulfill one's aspirations simply because they are compromises — then the ensuing stasis will be worse. Not proposing avenues of compromise is tantamount to making decisions that are likely to result in even more onerous situations.

If diplomats usually characterize their attitudes towards crises as "cautiously optimistic", in the Myanmar case it would be more accurate to portray one's views as "pessimistic". Perhaps some new initiatives might move that category into one characterized as "cautiously pessimistic". That might be called progress.

NOTES

1. In 1989, the government changed the name of the country to Myanmar, its spelling in Burmese. This was not accepted by the opposition and by the United States, and the use of either term reflects the political polarization prevalent in scholarship and writing on that country. Here, without political connotations and based on historical precedents, Myanmar is used for the period since 1989, Burma for all earlier periods, Burmese for citizens of that country, and Burmans for the predominant ethnic group. Many other names have also been changed — for example, Rangoon to Yangon.
2. For a discussion of the role of foreign observers in Burma/Myanmar, see David I. Steinberg, "The Road to Political Recovery: The Salience of Politics in Economics", in *Burma: Prospects for a Democratic Future*, edited by Robert Rotberg (Washington, D.C.: The Brookings Institution, 1998).
3. On ASEAN membership, see David I. Steinberg "Myanmar: Regional Relationships and Internal Concerns", in *Southeast Asian Affairs 1998*, edited by Derek da Cunha and John Funston (Singapore: Institute of Southeast Asian Studies, 1998).
4. Although military intelligence may be more extensive and surveillance more strict, the proliferation of new technologies and their increased availability in Myanmar, from simple copying machines to short-wave radios, videos, television, and the Internet, has meant that there is less control over the internal leakage of foreign news and opinions. The encouragement of tourism and business also furthers this leakage.
5. The government claims that as of April 1999, six of the fifteen chapters had been written, but it is seeking "consensus" (among what it claims as 135 ethnic groups) on the sharing of power, and this is the most difficult of issues. This is the cardinal point, and the excuse for delays, but the military obviously wants to ensure that the

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document is approved, and thus it will not be subject to any form of referendum or public discussion until it has its mass mobilization organizations in place and supportive of its aims.

6. The lesson from the Soeharto resignation may not be what outsiders expect. The Burmese regime may believe that Soeharto fell because he did not crack down on the students early and hard enough. At the exact moment of Soeharto's resignation, military intelligence figures, who had telephoned the author, were watching the events on CNN. See David I. Steinberg, "A Whimper in Rangoon", *Bangkok Post*, 6 June 1998.
7. Now, approximately one-fourth of the total population of the state has been mobilized into the USDA, a force that may be used to approve any actions that the military leadership deems necessary, such as a referendum on a new constitution. For a discussion of the USDA, see David I. Steinberg, "Myanmar and the Requirements of Mobilization and Orthodoxy: The Union Solidarity and Development Association", in *Burma Debate*, February 1997.
8. In contrast to Indonesia, the Chinese, many of whom are Buddhists of a different sect, are more easily assimilated in Myanmar. There are many Sino-Burmese families in which individuals have achieved prominence — for example, General Ne Win. In Thailand, assimilation has been most successful.
9. *The New ASEANs: Vietnam, Burma, Cambodia and Laos* (Canberra: Australian Department of Foreign Affairs and Trade, 1997), p. 135. "Chinese entrepreneurs dominate Mandalay's central business district, raising concerns among local Burmese about their role and the extent of Chinese immigration, much of it illegal". Figures on foreign investment are also quite misleading, because Chinese investment does not pass through the Board of Investment, and thus is grossly understated.
10. One view is that China will have to import oil, probably from the Middle East, and a secure route to southwest China through Myanmar would enable China to avoid the Strait of Malacca and the South China Sea, and thus increase Chinese security. Japan is evidently concerned over Chinese economic domination of Myanmar.
11. In the spring of 1998, the Indian Defence Minister remarked that the real potential enemy of India was not Pakistan, but China. Northern Myanmar outflanks the northeast Sino-Indian frontier, which has not been formally demarked, and on which border fighting took place in the Sino-Indian War of 1962. One former Burmese military officer remarked that the potential use of such airfields by the Chinese would make an Indian aircraft carrier in the Bay of Bengal virtually irrelevant.
12. Observers may be forgiven for speculating whether Chinese from a Burmese post tracked the Indian test-firing, in the Bay of Bengal in April 1999, of the Agni 2 missile, which has the range to cover all of China.
13. Personal communication, U.S. Embassy, Yangon.
14. Personal interview, Yangon, April 1999. The legislation is Section 1106 of the Act, which says that all UNDP programmes are to be certified by the President, to be "focused on elimination of human suffering and addressing the needs of the poor ... undertaken only through international or private voluntary organizations that have been deemed independent of the SLORC [*sic*], after consultations with the leadership of the National League for Democracy and the leadership of the National Coalition Government of the Union of Burma".
15. This article subordinates the author's hopes to his perception of the realities.
16. It is significant that Aung San Suu Kyi was charged with trying to split the military, a heinous crime and one to which the military seems particularly sensitive, perhaps because it recognizes the potential for this to occur.

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17. Socialism, the hallmark of political legitimacy in the early years of the Union and in the independence struggle, was effectively demolished as an ideology not because it was felt to be inappropriate, but because it failed so miserably. Some argue that it was not an ideology of Ne Win, who simply used it to gain power and who "as one senior Burmese quipped years ago" would be a socialist if Mao Zedong learned to play golf.
18. However far-fetched this may sound to Americans, it was viewed as a real possibility in 1988 when a U.S. aircraft carrier was said to have been stationed off the coast to enable the evacuation of U.S. personnel. Later, the SLORC conducted an informal survey among key individuals to ascertain their reaction if the United States intervened.
19. The evidence for this in Asia alone, over any reasonable time, is highly suspect; for example, Korea (1961-87), Taiwan (1949-92), China, Vietnam, Singapore, Malaysia, etc.
20. But, of course, strings are always attached to foreign assistance, but it is the nature of such strings and whether they are perceived to emanate internally or externally that are the critical considerations.
21. In 1994, the author tried to persuade the SLORC that transparent and consistent rules of international NGO operation in Myanmar should be formulated in consultation with those international NGOs, and although there was some interest, the SLORC made a decision to deal with each NGO separately.
22. SPDC Decree #25/98 of 18 September 1998.
23. Whether he still maintains influence is hotly debated — with some arguing that he is the *deus ex machina* and the fount of all major decisions, while others (and officially) that he is simply retired. As long as he retains his intellectual faculties, he probably influences major decisions without detailed surveillance, and his mere presence may be a source of both fear and respect. He is said to be briefed on current events, and he seems to remain in reasonable health for his age. How his departure will affect those active military personnel closely associated with him (for example, General Khin Nyunt) is an important but now unanswerable question. Conventional wisdom has indicated that numerology has been important to him — "he changed the currency denominations to add to nine so that he would live to be 90"; he may well succeed.
24. Senior officials have indicated that one of the mistakes that led to Soeharto's downfall in Indonesia was not having sufficient stores of rice in hand (although distribution of rice may have been the problem). The SPDC is intent on not letting this happen in Myanmar.
25. General Than Shwe (born 1933) is beyond retirement age, as is General Tin Oo (Secretary 2).
26. For an analysis, see Catherin Dalpino, *Opening Windows: Letting Liberalization Lead* (Washington, D.C.: Brookings Institution, 1999). This volume questions the concentration on democracy, rather than incremental change through liberalization.
27. So a senior North Korean negotiator told the author some years ago.
28. This was suggested at a meeting by Professor Marvin Ott of the National War College, and should be designated as "Ott's Law".
29. One of the problems with the planned constitution is that on its approval, the minorities with which the military has ceasefire agreements would be expected to surrender their arms, which they now keep. This is likely to be a point of great contention unless the minorities perceive that there will be sharing of power and authority between them and that the centre is just, fair, and will continue to be. It seems unlikely that there will be effective implementation of this provision, and if

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forced, could result in a recurrence of fighting. The dangers for the future are apparent.

30. One senior Burmese specifically called for the intervention of foreign negotiators in the stasis between the SPDC and the NLD, although it seems likely that he expected the latter to change, not the former. Personal communication.

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Book Reviews

Thailand and the Southeast Asian Networks of the Vietnamese Revolution, 1885-1954. **By Christopher E. Goscha.** Richmond: Curzon, 1999, 418pp.

During Vietnam's occupation of Cambodia in the 1980s, ASEAN rallied behind the front-line state of Thailand, which feared Vietnamese tanks would roll down (and eventually become gridlocked in) the narrow streets of Bangkok. For Christopher Goscha, the irony is that the Vietnamese revolution was made manifest on the same streets of Thailand. Goscha presents a fascinating history of the Southeast Asian roots of the Vietnamese revolution, and strikes into fertile ground. While most works on the early days of the Vietnamese revolution focus on Ho Chi Minh's years in France and Moscow, where he was trained by the Comintern before being sent to China, Goscha argues that there already was an active revolutionary network across Indochina into Siam, that dated back into the 1880s when Indochinese patriots fled from French colonial oppression into Thailand. By the late 1940s, according to one Viet Minh document, "Thailand has become the sole corridor (*cua ngo duy nhat*) to the international community for the Vietnamese and Indochinese resistance movements" (p.288).

Most research to date has focused on the Viet Minh's ties to China. This is understandable for several reasons. Ho himself spent many years as the Comintern's representative in China and he founded the Thanh Nien movement in southern China, where his chief lieutenants would eventually emerge, many of whom went on to attend the Whampoa military academy. And we tend to look towards China for the roots of the Vietnamese revolution simply for ideological reasons

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and the fact that China, after 1949, became Hanoi's chief supplier of aid and matériel. The problem with the Vietnamese revolutionaries concentrating their efforts and resources in China was that they became vulnerable to the radical shifts of Chinese politics. Following Chiang Kai Shek's violent attack on the Chinese Communist Party (CCP), which drove the CCP underground and out of the cities in 1927, there were minimal contacts between the Thanh Nien and the CCP. From 1927, through the CCP's regrouping in Jiangxi, through the Long March, ending in 1935, there was little the CCP could offer the Thanh Nien: it was fighting for its own survival. Moscow, likewise, was little help at that time.

Chiang Kai Shek drove the Thanh Nien leadership underground as well, and in 1929 the Kuomintang (KMT) helped to found Ho's primary rival for power and the hearts and minds of the Vietnamese community of southern China: the anti-colonial nationalist group, the Viet Nam Quoc Dan Dang (VNQDD), a radical organization that spent more time fighting the Thanh Nien than it did fighting the French. By May 1929, the Thanh Nien had ceased to be an effective anti-colonial organization, and the fortunes of the China-based Vietnamese revolution were dim. This, according to Goscha, forced the communist leadership to redouble its efforts in Southeast Asia. Ho himself left China in 1928 for Thailand where he remained until he founded the Indochina Communist Party (ICP) in Hong Kong in 1929. He became head of the Comintern's Far East Bureau in early 1930, where he was charged with setting up the Thai and Laotian communist parties.

Goscha argues that the ICP was blessed by having the support of the Siamese government, which had a very tenuous relationship with the Europeans. The Siamese had strong reason to mistrust the French. Not only were they a powerful colonial power on the Thai doorstep, but they were an irridentist power as well, claiming the region of Laos that sits on the west bank of the Mekong as well as much of the Thai-Cambodian borderlands. The Siamese government had great interest in fostering a revolutionary movement in Vietnam that could expel the French. This was perhaps the first, but not the last, of many alliances between a Southeast Asian monarchy and a revolutionary movement. Politics, indeed, does make for strange bedfellows. Only this longstanding co-operation between Siam and its Indochina neighbours, based on a mutual fear and mistrust of the French, allowed the ICP to organize on Thai soil. Thai Premier Phibun, for example, encouraged Vietnamese refugees to settle on Thai soil, even offering a tax amnesty to encourage them in the mid-1940s (p.119). And organize they did — a skill that communist movements have always had, giving them a distinct advantage over their political rivals. The ICP organized

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networks of Viet Kieu (overseas Vietnamese), monks, traders, sailors, and prostitutes, based along traditional trading roots across Indochina. They created a network of corporations, fund-raising organizations, spies, a press, and a shadow government.

At the heart of all this was Hoang Van Hoan, a young Thai and Chinese-speaking revolutionary who had joined Ho's Thanh Nien movement in the 1920s. He was dispatched to Thailand in 1928 for nearly eight years, to organize the Viet Kieu, raise funds and acquire matériel. In 1948, after being elected to the ICP's Central Committee, he was dispatched back to Thailand to organize the ICP's relations with all of Southeast Asia, a key diplomatic post which was to win him accolades. He was also to become the Democratic Republic of Vietnam's (DRV's) first ambassador to China in April 1951.

The story that unfolds is not the tight, cohesive revolutionary unit that Hanoi portrays. There are years without contact between the Viet Kieu in Thailand and the ICP/Viet Minh leadership in southern China. As Goscha notes:

> The Vietnamese communist leadership positioned along the Sino-Vietnamese border in 1940 had no links to its Thai-based operations until 1943 and did not establish direct control over the ICP's pre-war Mekong bases until mid-1945. Whatever Thai-based Vietnamese communists did prior to mid-1945 was largely based on local initiatives and what the latter thought the ICP leadership wanted them to do (p.124).

After the founding of the umbrella resistance organization, the Viet Minh, in 1941, the ICP's networks in Thailand became more important as a fund-raiser for the anti-colonial struggle. Following Japan's unconditional surrender in August 1945, the Viet Minh sought to consolidate their power in Laos and Cambodia, to protect Vietnam's western flank against French attack. Here, again, they had a willing ally in Thailand, which also sought to prevent France's return to Indochina. The Thai Government attempted to arm the Laotians, following the Sino-French agreement in February 1946. Yet, the March 6 Accord between Ho and Sainteny paved the way for France's reoccupation of Laos. And with it came a flood of Indochinese refugees into Thailand. Again, the Thais allowed armed Viet Minh teams to organize the refugees, and even provided the Viet Minh with intelligence on France's activities in western Indochina. According to one Viet Minh source cited by Goscha, the Thai army was "now intimately with us" (p.156), providing the beleaguered Viet Minh with their only source of external assistance. And the Vietnamese continued to look up to the Thais as the natural leaders of an anti-colonial Asia, which is the subject of chapter six.

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Thai support for the Vietnamese revolution was, of course, based on national interest, not altruism. To that end, they were willing to aid the Vietnamese with money, supplies and some weaponry, as well as let them organize on Thai soil in order to get the French out of Indochina. But at that point their goals diverged. The Thais sought to reassert their dominance in western Indochina. And at any occasion when they could cut a deal to achieve that goal, they were willing to forgo the Viet Minh's interests. But when ties with the French were at a low point, Viet–Thai relations flourished. Such was the case in 1946 when Admiral D'Argenlieu considered sending troops to Thailand after border talks broke down (pp.165-66). But with the advent of the Cold War, the West put pressure on Thailand to curb its relations with the Viet Minh. Even before the 1947 coup, which ousted the Seri Thai government, Bangkok never recognized Ho's DRV government. This forced the Vietnamese to move their entire governmental, diplomatic, espionage, and commercial network into Rangoon.

But Thailand always remained at the centre of Ho's revolutionary efforts. After the Fontainebleau talks broke down on 10 September 1946, tensions in Hanoi rose and war broke out between the Viet Minh and the French on 19 December 1946. Thailand once again became a focal point for the Vietnamese revolution, this time as a source of funds, equipment, arms, and medicine. Building on existing networks, the Viet Minh were able to tap the flourishing post-war arms market that was burgeoning in Thailand. And there was an added benefit: the Seri Thai government was in power, which closed its eyes "to Viet Minh's clandestine activities in Thailand," (p.186) and even extended 10,000 rifles to the revolutionaries. The most fascinating part of the book is chapter five, which seeks to uncover the commercial links of the Viet Minh, both overt businesses and clandestine gun-running. The Viet Minh tapped into a vast network of ethnic Chinese trading networks that spread across Southeast Asia, which seemed to centre on Bangkok. Goscha explains how Japanese guns captured by the Americans in the Philippines found their way into Thailand, and later Burma, and then into Thailand where they were purchased by the Viet Minh, very often using revenue garnered from the Laotian opium trade. These arms were either smuggled overland into northern Vietnam through Laos, or by boat into the Nambo (southern) military region, but were soon overshadowed by aid from China, which began in late 1950. But there are substantial weaknesses in this chapter, especially the treatment Goscha gives the Viet Minh's internal wartime economy, which should have been covered in greater detail and substantiated with better footnotes.

More could have been done to contrast the concurrent revolutionary efforts in China; and indeed, there are several errors regarding the

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China connection. Goscha notes that "Li Lisan did, in fact exist" (p.302). Anyone familiar with Chinese politics knows that Li was one of the 28 Bolsheviks who controlled the Chinese Communist Party until Mao Zedong consolidated his power at the Zunyi Conference in January 1935. My only other criticism is that the narrative ends around 1951, rather than the advertised 1955.

General Vo Nguyen Giap spoke of Indochina as being a "single strategic battlefield". Goscha agrees, but for him, the battlefield extended beyond Indochina into Thailand, and from there through the vast networks of overseas Vietnamese and ethnic Chinese trading networks that spanned across Southeast Asia into southern China. To understand how the revolution got off the ground, one must not just study Vietnam's revolutionary ties with China but with the region.

This book makes for a fascinating read for anyone who is not just interested in Vietnamese history and politics, but also in the region's as well. Goscha is able to bring to light many Thai language sources that remain inaccessible to most scholars on Vietnam. That said, the book is heavy in detail and will have a limited audience. At times it is a confusing story; this is no fault of the author's but simply because of the very complex and covert matter that he deals with. As the author is still in the midst of his doctoral research, we should expect more fine scholarship from him on the regional networks that made the Vietnamese revolution possible.

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China's Provinces in Reform: Class, Community, and Political Culture. **Edited by David S.G. Goodman.** London and New York: Routledge, 1997. 278 pp.

This highly informative book is a long overdue antidote to the plethora of studies of China in transition, which adopt a macro-perspective of the post-Mao reform period. Those conventional studies largely fail to convey or explain the often subtle, sometimes dramatic, though always important, diversity of social, political and spatial variation in China. Furthermore, much of the inability of outside observers to adequately

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conceptualize and explain China's political economy stems from their reliance upon national-level (or Beijing-centred) modes of analysis, or an unwillingness or inability to proceed methodologically beyond dubious official statistics and second-hand accounts. Deeper understanding of the complex processes and mechanisms which determine regional and even national patterns and trends in China can only arise from smaller-scale grounded insights. As this book demonstrates, this approach does not preclude wider generalizations about the character of contemporary change in China. Rather, it is a necessary precondition for adequately reconceptualizing such change, which compels an intellectual fortitude absent in many studies.

The volume under review arises as a direct result of this perspective, as it is embodied in a unique Research on Provincial China initiative which has systematically endeavoured to provide a comprehensive survey of China's regional politics. The editor has compiled the first of what will become a series of contributions which will undertake an examination of the detailed patterns and trends of provincial and sub-provincial change since the late 1970s. The book focuses on seven case studies of the impact of economic reform on social change and political culture in Guangxi, Hainan, Liaoning, Shandong, Shanghai, Sichuan, and Zhejiang. David Goodman begins with an introduction that fundamentally rejects the conventional historical perspectives stemming from the experiences of nineteenth century Western Europe and the genesis of capitalism and liberal-democracy, the demise of communism, and subsequent political disarray of the former Soviet Union and Eastern Europe since 1989, and the transformation of authoritarianism in parts of East Asia. This clears the slate for an alternative conceptual framework embedded in three interconnected themes. The first emerges from efforts to determine the extent to which the Chinese party-state controls economic management and the political agenda in the context of significant shifts in the structure of production. The circumstances of rapid change and the multiple and frequently contradictory roles of local actors compound the difficulties of undertaking such an assessment.

The second theme relates to the continued cohesion of a unified state under the leadership of an institutionalized communist party. Recognizing and responding to the potential conflicts based on class (or some other social formation), locality, or community is central to conceptualizing the formation and operation of provincial political systems. The virtually inescapable economic imperatives of openness, reform and institutional change, and their respective impact on provincial politics, comprise the third theme. The challenge here lies in uncovering and explaining the processes by which the various underlying elements of this transition are negotiated and managed.

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The critical linkages between socio-economic reforms and the practice of politics are discussed in the seven provincial case studies in this book. Each is organized according to a common format which begins with a review of the economic, social and political history straddling the pre-liberation, Maoist, and immediate pre-reform periods. This provides a necessary context for the subsequent detailed survey of the political economy of the early years of the reforms in each locale. Most readers will likely find these latter sections to be the most interesting and revealing in relation to the common themes identified by the editor. Much of the sometimes surprising divergence from the commonly accepted China-wide narrative is highlighted. These insights are then positioned in relation to the respective patterns of provincial and sub-provincial political culture.

The chapter on the autonomous provincial-level region of Guangxi by Hans Hendrischke describes an especially conservative élite on the eve of reforms which owed their allegiance to Cultural Revolution politics. It was not until the early 1990s that Guangxi began to shed its ideological conservatism and bureaucratic reliance on central subsidies as it was coerced into reforms by Beijing. Guangxi's position as neither a typical border region — coastal, but not prosperous — nor poor inland province, meant that its development trajectory was less predictable. By highlighting the details of its uniqueness, Hendrischke, is able to effectively demonstrate how provincial policy and personality changes articulated with the wider economic transition and political conflicts of the centre.

The communal politics and struggle for identity in China's newest province and largest Special Economic Zone on the island of Hainan is the subject of the third chapter by Feng Chongyi and Goodman. The granting of provincial status in 1988 was a direct result of China's economic reforms. However, Hainan's provincial era has been very much subject to the unique political culture, social composition, and the quasi-colonial experience of its five main politically significant communities among the island's 7 million inhabitants. The divided politics of class, social status, economic activity, access to power, and community have tended to mutually reinforce the lack of any common and coherent vision for the development of the province despite its many natural attributes. Chapter 4 by Margot Schuller outlines the considerable and persistent bureaucratic conservatism in China's northeastern province of Liaoning, which arose as a result of a close allegiance to the central planning system and the historical dominance of the state-owned sector. The development of township and village enterprises, which began in earnest in the early 1990s, signalled the beginning of the rise to prominence of particular localities. However, this shift also highlighted the disarticulation between

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territorially based competing claims to economic resources and the still mostly centralized power of administrative authority. Yet, as Schuller clearly demonstrates, the role of the localities has proved critical in offsetting the problems of the state-owned sector.

The political economy of development and inequality in Shandong is the subject of chapter 5 by Jae Ho Chung. The author explores the way in which developmental imperatives and the role of endogenous actors challenge the established hierarchies and patterns of political power in the province. Deep inter-provincial inequalities and local responses loom large as the tasks of poverty alleviation articulate with the politics of economic growth imperatives. Chapter 6, by J. Bruce Jacobs, positions the emergence of Shanghai as an alternative centre in China's political economy. The economic and increasing cultural dominance of the provincial-level municipality is documented by the author in the context of its relative cosmopolitanism and overwhelming concern for economics, not politics. Dimensions of the city's post-reform transition, such as the relatively late formalization of developments in the special zone of Pudong, are largely defined by the nature of Shanghai's political and economic relations with the centre.

The disadvantages of location and the political economy of mismanagement are the central issue in Lijian Hong's chapter on Sichuan. Hampered by its relative isolation, provincial leaders tended to focus on their relations with Beijing and other parts of China to ensure Sichuan's economic well-being. It was in this context, during the relative disarray of central politics in the mid-1970s, that Sichuan experimented with local reforms under Zhao Ziyang which anticipated by several years their implementation throughout China. Such phenomena (a similar situation arose in Anhui under Wan Li) serve to emphasize the importance of understanding the local dimensions of transition, which in fact stimulated nation-wide policies of change. This perspective also underlies Hong's very interesting discussion of the regional and national political economy of the Three Gorges dam project in Sichuan. The final chapter by Keith Forster explores the paradoxes of restoration, reinvigoration and renewal in Zhejiang. The author illustrates how the reform period in this province has been characterized by economic dynamism amidst cautious and hesitant political conservatism. Zhejiang's delay in implementing reforms stemmed from its internal ideological and political differences. The political consequences of the pressures to reform have resulted in the localization of the élite and a new desire to make government more efficient, but not necessarily more accountable.

Taken together, these contributions represent a solid attempt to unpack the complexities of China's political economy of development

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since the beginning of the reforms. Moreover, this collection of provincial-level analyses reveals much of interest in a comparative context about the interrelationships between socio-economic and political change throughout China. As such, this book provides a welcome first step towards an alternative methodological and analytical framework for exploring and explaining the true character of contemporary change in China. China specialists, and others interested in deepening their insights and understanding of rapid transformation in the PRC, should look forward to the publication of subsequent volumes in this series.

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Dynamics in Pacific Asia: Conflict, Competition and Cooperation. **Edited by Kurt W. Radtke, et al.** London and New York: Kegan Paul International in association with the International Institute for Asian Studies, 1998. 287 pp.

Written before the onset of the Asian economic crisis in July 1997, this edited volume seeks to examine the extent to which developments in the Asia-Pacific region would affect Europe's global position. It also postulates how these changes should be conceptualized to assist in policy formulation to deal with the new international environment. Chapters 1 to 7 examine political and strategic issues while chapters 8 to 12 consider issues of economic interdependency. The introduction provides an insightful and succinct overview of the book's ambitious agenda.

The opening two chapters examine Asia-Pacific regional security. Arguing for enhancing co-operation in international institutions, Hanns W. Maull opines that the future of Asia-Pacific security need not be pessimistic and should not be based on a realist balance of power approach. Using European experiences in a comparative perspective, he argues that successful international governance would depend on close interaction between state and society, within and between, countries. Regional co-operation is a key building block if regions can "keep their own house in order" and "keep channels open to cooperation with other

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regions". Although there are differences in East Asia's and Europe's capacity for mutual collective action, Maull is confident that effective collective action could be engendered. Taking the position that "the future cannot yet be managed with certainty", Kurt W. Radtke discusses the historical overview of the "dynamic stability" sought by four key regional actors, the United States, China, Japan and Russia, which could evolve into a "directorate" of informal co-operation for the maintenance of regional stability.

Although Maull and Radtke are hopeful that regional co-operation would be the *modus vivendi*, issues of regional security are so fluid that regional co-operation in a fault-ridden Asia-Pacific remains a vision to be realized. Yet, multilateral co-operation offers the best chance for sustained peace and stability — crucial preconditions for economic development. Given the security flashpoints and the rapid increase in energy requirements in the region, Boris Timmer places hope on the development of multilateral security frameworks by which China is meaningfully integrated. However, how the "directorate" and security framework — forms of which are already in existence — could engender greater confidence-building was in my view not adequately discussed. In fairness, the dynamics of regional security issues are constantly in flux such that putting a pulse on bilateral security considerations is challenging enough.

China, Russia, and Korea loom large in any discussion on Asian security flashpoints. Klaus Fritsche explores Russia's search for East Asian allies as a counterbalance to Western hegemony in the post-Cold War era. In particular, the "strategic partnership" with China is studied closely. A mutuality of interests from the management of potentially secessionist minorities to a rejection of Western interference and aspirations to hegemony has made this path of Russian *Ostpolitik* viable. However, one wonders whether such a tenuous partnership can be sustained if Russia's military strength declines further while China's economy improves. Manfred Pohl distills the German unification experience to emphasize the need for a gradual process of Korean unification. To reduce the negative impact of reunification on both sides of the demilitarized zone, Pohl advocates a period of peaceful co-existence and the creation of a commonwealth between the two Koreas. Pohl's suggestion that nationalism, bolstered by anti-Japanese feelings and xenophobia,would help the two Koreas become closer is controversial. It is precisely this sort of ultra-nationalism that would be the Achilles heel of Northeast Asian security, and global security for that matter, should leaders manipulate such sentiments.

That Asian powers and the United States need to remain engaged with each other, and the need to engage China in any security dialogue

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is argued convincingly by Leo van der Mey. He also contrasts the failed Nehru's Peace Zone idea and expresses confidence in the "ASEAN way", and proposes the "ASEANization of regional security" through the ASEAN Regional Forum (ARF). Although the ARF is an "extremely fragile consultative structure" in a region where multilateralism is not yet a norm, van der Mey appears persuaded by its potential. This might have to be reviewed in the light of ASEAN's apparent ineffectiveness and disunity in the light of the political and economic troubles that have recently afflicted much of Southeast Asia. Indeed, one could question whether the nebulous notions of consensus and pragmatism are adequate frameworks for security management in the new millennium.

The section of the book with an economic focus opens with two chapters on Japanese technology. John Groenewegen analyses the evolution of technology policies in Japan in the light of an interventionist government in the economic arena and under-investment in research and development (R&D). Research associations that facilitate joint R&D on cutting-edge technology are vital for the Japanese economy. However, Groenewegen perceptively notes that for these research associations to have a positive impact, they need to involve business groups and networks while decreasing the government's role. In reviewing the level of technology transfer from Japanese firms in Asia to their local partners, Joop Stam highlights that technology transfer within the Japanese electronic industry in Pacific Asia is limited at both the enterprise and individual levels. This can be attributed to corporate attitudes, market conditions, and competition.

The chapters on attracting greater foreign direct investment to ASEAN and the newly emerging Asian securities markets are more historical and policy-oriented. Hafiz Marza, Kee Hwee Wee, and Frank Bartels surveyed transnational corporations on their motivations, obstacles, and policies in investing in the ASEAN states. Complemented by tables and figures, the authors argue that the ASEAN states' best strategy to attract non-ASEAN foreign direct investment (FDI) is to facilitate intra-ASEAN FDI. However, it is unlikely that there would be much intra-ASEAN FDI in the foreseeable future. Indeed, Singapore Prime Minister Goh Chok Tong has suggested that ASEAN organize joint investment roadshows to the United States, Europe, and Japan to sell the region.

ASEAN has lost much stature as a result of the regional economic crisis and has failed to convince the outside world that it is tackling the crisis with determination and decisiveness. Takuo Akiyama's chapter looks at pre-crisis trends in the various Asian securities markets. While supporting the deregulation of the securities markets, Akiyama is mindful of family-based and politically connected businesses, which

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would dampen potential investors' enthusiasm. However, the policy recommendations in these two chapters may have to be reconsidered in the light of the economic crisis. As the crisis has painfully demonstrated, greater circumspection and governance are patently needed in an age of speculative and mobile capital.

In a similar vein, Roger van Hoesel, in studying Korean manufacturing investments in Europe, makes the prescient observation that the *chaebols*' investments "seem rather heroic" as much of the funds needed were financed by debt rather than equity. Again, the lack of proper controls and governance can be discerned, especially with the rapid liberalization of the Korean economy as it has keenly sought out OECD (Organization for Economic Co-operation and Development) membership. That there should be a conscious attempt to capitalize on synergy that could be derived from Asian and European corporations co-operating with each other is recommended by van Hoesel and Helmut Schutte. Schutte's piece on the strategy and organization of multinational corporations (MNCs) in Asia underlines the strategic economic importance of Asia. The thrust of his argument is that European firms, hoping to improve their position in the new Asian markets, need to have an Asian regional strategy in addition to a global strategy. A key component of this strategy is to have a regional headquarters to integrate and co-ordinate activities of multinational corporations in that region.

The book concludes with a review of the position of the United States in Europe and the Pacific Rim. Gioia Marini and Jan Rood consider whether the United States is moving from being a "European" power to a "Pacific" power in the light of then Secretary of State Warren Christopher's remark that "[n]o area of the world will be more important for American interests than the Asia-Pacific region". They argue that the United States, as a global power, has to act on a global scale and remain engaged in Asia. This precludes it from eschewing responsibilities in one region in preference to another. The proper perspective to be taken in discussing the American position towards Asia and Europe is America's ability to develop a policy of alliances with scarce resources.

Although the reviewer found parts of the book heavy going, and regional events have overtaken some of the assessments, it does provide a good introduction of the European perspective on various politico-economic issues confronting Asia and Europe and how they affect both regions. The book's inter-disciplinary approach, with a policy bent, helps to highlight the increasing need for a paradigm shift in rethinking existing relationships, and the balance of power in an globalized world. In particular, the context of understanding global parameters from which European policies towards Asia should be formulated is underscored.

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At the Asia-Europe Meeting (ASEM) in Berlin in March 1999, ASEM foreign ministers affirmed the need to keep the Asia–Europe link valid. Started as a Singapore initiative to strengthen links between the two continents at a time when Asia was booming and Europe was courting Asia, ASEM is touted as the answer to the weak link in the Asia–United States–Europe triangle. ASEM's commitment to the long-term process of Asia–Europe ties comes at an opportune time, especially when both regions are mired in internal affairs. Another book evaluating Asia-Europe ties in the aftermath of the crises in both regions would be equally fruitful.

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CONTEMPORARY SOUTHEAST ASIA

A JOURNAL OF INTERNATIONAL AND STRATEGIC AFFAIRS

Articles

Is There a U.S. Strategy for East Asia?
SHELDON W. SIMON

The Revolution in Military Affairs and the Evolution of China's Strategic Thinking
YOU JI

Paradigms Lost: Japan's Asia Policy in a Time of Growing Chinese Power
CHRISTOPHER B. JOHNSTONE

International Law and the Dispute Over the Spratly Islands: Whither UNCLOS?
XAVIER FURTADO

The Political Economy of Taiwan's Relations with Vietnam
SAMUEL C. Y. KU

What Will Become of *Reformasi*? Ethnicity and Changing Political Norms in Malaysia
MEREDITH L. WEISS

Singapore's Defence: Capabilities, Trends, and Implications
ANDREW T. H. TAN

Book Reviews

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Is There a U.S. Strategy for East Asia?

SHELDON W. SIMON

There is a general consensus in East Asia that the United States is a benign hegemon but not necessarily a reliable one. In the absence of a specific adversary, U.S. security policy is frequently at the mercy of special interests and the pulling and hauling of domestic politics between the Executive branch and the Congress. In East Asia, U.S. strategy for the most part is divided between separate Northeast and Southeast Asian environments, although some overlap exists because of the importance of the South China Sea as a trade route. America's most important bilateral relationship with Japan is experiencing a significant enhancement through the recently ratified New Defense Guidelines which provide a larger role for Japanese assistance to U.S. forces. On the other hand, in Southeast Asia, although the United States has access to ports and airfields in several states, these are not sufficient in the event of a major regional military crisis.

Introduction

No one quarrels with the assertion that the United States is the world's single most powerful country at the close of the twentieth century. America's triple threat — the dollar, the Pentium III chip, and the B-2 — is unequalled in the capacities of other states. While the United States sees itself as a benign giant, believing that its prosperity and security benefit not only Americans but the world at large, others are not so sure. As Michael Mandelbaum, a national security specialist at Johns Hopkins University, put it: "If you are the 800-pound gorilla,

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you're concentrating on your bananas; and everyone else is concentrating on you."[1]

So, when the Clinton Administration comes up with the principle of humanitarian intervention in Bosnia and Kosovo to justify the use of the armed forces to protect persecuted minorities within a country, other countries wonder whether Washington plans on extending this principle to enforce "international values" of humanitarian treatment and human rights elsewhere. Russia looks at Kosovo and thinks of Chechnya; China worries about Tibet and Taiwan. Humanitarian intervention seems to violate a basic principle of realist politics: that the internal affairs of states are their own business. With America leading the way — no matter how noble the cause — it appears to much of the rest of the world that the U.S. integration of financial, military, and technological power permits Washington's whims to trump all others' security practices.

On the other hand, as the international historian Paul Schroder has remarked: "If you look at history, the periods of relative peace are those in which there is a durable, stable, and tolerable hegemon, who does the adjusting and preserves the minimal necessary norms and rules of the game. And that hegemon always pays a disproportionate share of the collective costs, even forgoes opportunities for conquest or restrains itself in other ways to make sure the system stays tolerable for others."[2]

To gain the willing participation of other states in its vision of international order, the United States must demonstrate "strategic restraint", which conveys to partners its commitment to limit its use of power and stay within the rules and principles of the post-war order.[3] It should be willing to accept the idea that weaker states have the right to press their interests upon the more powerful. A willingness to consult smaller states reduces the probability that they will feel the need to balance against the strong. Consultation prior to action is the key principle. Limiting unilateral actions is crucial for a benign great power — hence, the Bush Administration's allied coalition in the Persian Gulf War and Clinton's efforts to work through NATO (North Atlantic Treaty Organization) in the Kosovo intervention. Although U.S. dominance sparked complaints in Europe and Asia, it has not triggered counter-hegemonic balancing. As G. John Ikenberry puts it: "Fundamentally, American hegemony is reluctant, open, and highly institutionalized — or, in a word, liberal. This is what makes it acceptable to other countries...."[4] While other great powers may resent America's leadership, they prefer it to the alternative of choosing among secondary states who are seen as possessing neither the goodwill nor capacity to create international order.

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U.S. security policy in the post-Cold War era has been dedicated to preserving preponderance. Washington has sought to discourage Germany and Japan from becoming independent great powers by reaffirming security commitments to them. The United States has also sought to engage Russia and China and integrate them into a U.S.-centred international order.[5] A major purpose of this order is to prevent conflicts from escalating to the level of international hostilities. However, security problems in East Asia have escalated from the mid-1990s.

Security Risks in the Asia-Pacific

Imminent security risks in the Asia-Pacific are concentrated in Northeast Asia where the United States deploys most of its western Pacific armed forces and where its most unambiguous defence treaties apply. North Korea's defiance of nuclear non-proliferation norms in 1994 and China's provocative naval exercises over Taiwan in 1996 raised the prospect of direct U.S. military intervention, which, in turn, had the potential to shatter an unprepared U.S.–Japan alliance. If the United States had intervened at that time in Korea, and Japan had refused to assist because of its constitutional constraints, U.S. officials and analysts believed that the Japan–U.S. Security Treaty would have unravelled.[6] This close call instead led the Clinton Administration to modernize the alliance to make it more effective in the event of future challenges.

The China–Taiwan confrontation has also challenged the Clinton Administration's dominant strategic belief that economic engagement and the privatization of the PRC economy would strengthen the political position of moderates within the country, who would promote a policy of peaceful relations with neighbours to elicit even more trade and investment on China's road to prosperity. The basic lacuna in this vision, however, was that it ignored China's irredenta, particularly with respect to Taiwan. The PRC–Taiwan imbroglio and North Korea's growing missile capabilities have led to a modification of U.S. East Asian strategy so that economic engagement, represented by promises of aid to the Democratic People's Republic of Korea (DPRK), or North Korea, and World Trade Organization (WTO) membership for China, are now balanced by talk of building a regional missile defence, ostensibly directed at Pyongyang but interpreted by Beijing as also designed to neutralize its pressures on Taiwan.

The Asian financial crisis of 1997-98 was also fraught with security risks. Economic turmoil led to political instability in Indonesia and considerable political tension in Malaysia, South Korea, and Thailand. Concern arose over the ability of Japan and the Republic of Korea (ROK) to fund their share towards the new North Korean nuclear power

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plants as well as their ongoing cost-sharing arrangements for U.S. forces stationed in their countries. Despite domestic opposition in the United States Congress, the Clinton Administration achieved an expansion of International Monetary Fund (IMF) lending, emergency back-up financing, and export credit guarantees for all the Asian crisis-stricken states that asked for assistance. The United States proffered particular support, via the IMF, to South Korea and Indonesia. Equally important, the United States kept its markets open to the region's exports despite record-setting balance of payments deficits.

The economic crisis also slowed Asian military modernization, reduced operations and exercises, and led to requests for the reduction of host nation financial support for U.S. forces. The ASEAN countries which had focused on resolving South China Sea conflicts co-operatively have recently been so involved with reviving their economies that little attention has been paid to regional security.[7]

While external security concerns in Southeast Asia take a back seat to economic recovery, in the rest of Asia a more pro-active shift is taking place as Washington designs new types of military co-operation with traditional friends, including Japan, South Korea, Australia, and even Taiwan. Although the primary deterrent target is North Korea, new capabilities could also be directed at China; and the PRC has responded angrily. Typical is a 3 June 1999 commentary in the People's Liberation Army's (PLA) *Liberation Army Daily* castigating revisions in the U.S.–Japan Defense Guidelines as "speedily strengthening the integration of Japanese and American militaries. Japan's policy of self-defense and its constitutional article giving up war are turning into mere scraps of paper."[8]

China is concerned, too, about Japan–U.S. co-operation in theatre missile defence (TMD). Ostensibly directed against North Korea, Beijing has argued that a TMD umbrella in the region is also meant to neutralize China's forces, thus encouraging independence advocates on Taiwan. North Korea's own missile launching has clearly not benefited PRC policy either. The more Japan and U.S. forces in the region appear vulnerable to a DPRK strike, the more probable Tokyo and Washington will proceed to develop a TMD system. Moreover, under heavy congressional pressure, the Clinton Administration in April 1999 agreed in principle to the sale of an early warning radar system to Taiwan which, from Beijing's perspective, can be seen as a deliberate link in bringing Taiwan under a regional TMD umbrella. Taipei has already acquired advanced *Patriot* missiles from Washington.

Despite growing military co-operation among the United States, Japan, and South Korea, the war in the former Yugoslavia and a dedicated U.S. naval and air presence in the Persian Gulf have negatively

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affected the military balance in Northeast Asia. An East Asian carrier battle group was sent to the Mediterranean to replace one that had been redeployed to the Adriatic Sea, leaving only modest U.S. naval capability off the Korean peninsula. The use rate of U.S. combat aircraft over Kosovo and Serbia seriously concerns the U.S. Air Force because spare parts inventories have been depleted. As a result, the tactical fighter fleet is reportedly at its lowest readiness level in decades.[9]

Even under optimal conditions, the U.S. naval presence in the western Pacific is premised on continued deployments from Japan. If the Navy had to sustain a fully deployed carrier battle group from U.S. ports rather than Yokosuka, four more carriers would have to be added to the fleet. This is because every U.S. Navy ship operates on a 24-month cycle, only one six-month segment of which is spent on station. Similarly, if the Air Force lost its bases in Japan, in order to maintain the same level of air power, the United States would have to deploy an additional aircraft carrier to the region with annual costs in excess of US$10 billion.[10]

In Southeast Asia, after the U.S. exit from the Philippine bases in 1992, there has been no concentrated U.S. presence. While a number of bunkering and repair arrangements have been made with Indonesia, Malaysia, Singapore, and Thailand, these provide for co-operative engagement opportunities but no significant deterrent presence. Should a major military contingency arise in Southeast Asia requiring a substantial operational commitment of U.S. forces, the supporting infrastructure in the region would be inadequate.[11]

In effect, U.S. strategy calls for an ongoing presence of 100,000 troops forward deployed in the Asia-Pacific region but at the same time identifies no strategic challenges, such as the rise of China as a great power. For the first time in this century, China is unimpeded by its two traditional security preoccupations: Russia and Japan. While the United States hopes for the PRC's co-operation in Northeast Asia to restrain North Korea's belligerence, in Southeast Asia the situation is more complex. The Asian economic crisis and the political crippling of Indonesia have rendered ASEAN virtually helpless in coping with PLA actions in the South China Sea. Japan has also lost stature in the wake of its ineffective response to Asia's economic difficulties and its own persistent recession.

The lack of a common strategic focus for Asia has meant that U.S. policy has become a magnet for every domestic group with a foreign policy agenda.[12] With respect to China, for example, the U.S. Congress has served as a sounding board for conservative Christian organizations concerned with oppressed co-religionists, and for Republicans who charge Democrats with accepting political donations from PRC fronts

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as well as failing to protect American nuclear weapons secrets from Chinese spies. With no consensus on a strategy towards East Asia, centrifugal forces dominate the debate.

The U.S.–Japan Partnership

In searching for a U.S. strategy, perhaps the best place to focus is an examination of America's most important bilateral relationship in the Pacific – the security tie with Japan. The United States has benefited from the forward military presence afforded by bases in Japan and from close relations with an economically powerful Asian ally. Japan has gained U.S. protection and easy access to U.S. markets and technology. The United States has also tolerated Japan's minimalist security policy, although the latter may finally be expanding in the late 1990s.

Washington's overall policy towards Japan has reflected the conflict found in U.S. commercial versus security interests. That is, while Japan is a key security partner, it is also a commercial rival. From the early 1990s, economic relations were in a state of constant crisis, with the FSX negotiations for the joint combat aircraft project, the targeting of Japan under Super 301 trade provisions, and the launching of the structural impediments initiative. These were followed by conflicts in the automotive sector at the same time that U.S. security officials were emphasizing the need to reaffirm and expand the defence relationship. In the last half of the decade, however, the Clinton Administration relaxed its commercial pressures in the context of Japan's recession and concentrated once again on security, guided by the 1995 Nye initiative. That initiative both reaffirmed America's forward military presence and called for an expansion of the security alliance as the centrepiece of U.S. East Asian strategy in the post-Cold War era.[13]

The Security Treaty obviates the need for Japan to acquire a nuclear deterrent which could set off a nuclear arms race in Asia. It provides bases for an American naval and air presence which protects Japan's trade routes; and it reassures Japan's neighbours that there is no need for the country to become a great military power again. For the rest of East Asia, U.S. bases in Japan serve to sustain a regional power balance, particularly *vis-à-vis* the one possible rising hegemon, China.[14]

But the United States wants more from Japan than just location. Washington hopes to convince Tokyo to play a more active defence role through air-borne early warning, ship-borne anti-air capability, and the acquisition of missile defence. In response, Japan is buying AWACS aircraft and building *Aegis*-class ships.[15] This expansion of Japan's defence responsibilities may also be found in the 1995 National Defense

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Program Outline (NDPO) which stresses the regional dimensions of Japan's security co-operation with the United States. A new emphasis is placed on deterring regional threats rather than the need to constrain Japan's rearmament.

The NDPO and the subsequent 1997 new Guidelines for Defense Cooperation raised the old issue of whether expanded defence co-operation with the United States is constitutionally acceptable. That is, does assistance to U.S. forces involved in *regional* security actions still constitute "individual" self-defence as opposed to "collective" self-defence which is proscribed by Article IX . The Japanese Cabinet Legal Affairs Bureau has endorsed the most crucial operational support features of the new Guidelines covering logistics, access to bases[16] and airfields, and sea-lane patrol.

The Defense Guidelines review grew out of the U.S. concern that the alliance could not afford another failure comparable to the 1991 Gulf War or the 1994 North Korean nuclear crisis for which Japan was only able to offer financial and diplomatic support. While the Guidelines were ratified by the Diet in mid-1999, considerable uncertainty about their implementation persists. At one extreme are those who believe that the Guidelines entrap Japan into supporting U.S. military actions anywhere in East Asia. They point out that the prior consultation requirement for deploying American forces from Japanese bases has never been invoked. Instead, the United States has provided prior *notification* before deploying forces. At the other extreme are those who see the Guidelines as a device to keep Japan tethered to a U.S. security veto, ensuring that Tokyo cannot develop an independent defence policy.[17]

It is true that the regional security role envisioned for Japan under the Guidelines is to be a non-combat one. The Self-Defense Forces (SDF) is to offer logistical support "on the high seas and international airspace around Japan which are distinguished from areas where combat operations are being conducted."[18] However, the revised Guidelines also call for joint operational planning between the two militaries. And the Guidelines mandate co-operation when either party participates in U.N. peacekeeping and international humanitarian operations. Nevertheless, even under the most ambitious projections, nothing more is projected than *increased Japanese non-lethal support for U.S. forces in areas well removed from combat.*[19]

While the Guidelines do not spell out what contingencies besides an armed attack on Japan would call for expanded bilateral defence co-operation, defence planners in both countries identify North Korea as the most probable contingency.[20] Nonetheless, South Korea — the country which could most benefit from the Guidelines' activation in

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a crisis — has expressed concern about their implications. The ROK has some fears about enhanced Japanese military influence in the region and insists that the Guidelines not be applied to Korea before prior consultation with Seoul. Moreover, the ROK insists that Japanese forces must not deploy to the peninsula even in an emergency. (Of course, nothing in the Guidelines permits Japan to do so; and the Guidelines stipulate that the Constitution's prohibition against overseas combat remains in force.)[21]

For the United States, the Guidelines' main advantages are their provisions for providing fuel and spare parts to U.S. forces in a regional crisis; making civilian airports and hospitals available to American troops; and conducting rear area search and rescue operations for downed U.S. personnel.[22] Thus, U.S. operations in a Korean contingency could be more quickly and fully supported from Japan.

Other than for Korea, however, interpretations of the Guidelines are purposely vague. JSDF (Japanese Self-Defense Force) deployments to support U.S. forces would occur during "emergencies in areas surrounding Japan", which are defined as threats to the peace that could escalate to attacks on the home islands. While no explicit reference has been made by American or Japanese officials to Taiwan, PRC authorities and media have insisted that the Guidelines could apply to the contested island, "thus posing a threat to China's great cause of reunification and ... a hidden danger to U.S.–Japanese strategic confrontation with China."[23] Beijing's basic concern is that regardless of U.S.–Japanese intentions, the Taiwan authorities could believe that the mere existence of the Guidelines might deter China from using force to reunify, thus encouraging more provocative moves towards independence in Taiwan. The PRC may see Taiwan President Li Teng-hui's July 1999 insistence that relations across the strait are now "state-to-state" as, at least partially, attributable to the Guidelines' implied protection.

Despite China's fears that the new Guidelines are the beginning of an Asian NATO, some U.S. strategists believe that, to the contrary, Tokyo is crafting a more independent security policy.[24] They cite Prime Minister Obuchi's firm stance on Taiwan in the face of Chinese pressure during President Jiang Zemin's November 1998 visit to Japan; the decision in the wake of North Korea's August 1998 missile launch to develop an independent reconnaissance satellite; the firing of warning shots by JSDF ships pursuing North Korean naval vessels intruding into Japanese waters in April 1999; and the decision to host the year 2000 G-8 summit in Okinawa despite privately voiced U.S. objections. America is concerned that Japan is developing its own hedging strategy

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to possess, over time, the capabilities to act independently of the United States should their strategic interests diverge.

The U.S. and China: Engagement and Confrontation

Regardless of whether the United States views China as a co-operative partner, helping to restrain North Korea and move towards an open market system *or* as a rising hegemon bent on exerting its political will as its economy grows, the PRC is regarded as a major security player in East Asia. The key issue is how China chooses to channel the power it acquires.

Beijing and Washington possess common interests, including a stable Korean peninsula with separate North and South Korean states; a Japan that remains under the U.S. security umbrella; and freedom of the sealines of communication (SLOCs) to ensure the unhindered flow of international commerce. Nevertheless, China is also the only major Asian state with significant unresolved territorial claims in both Northeast and Southeast Asia, including the Senkakus contested by Japan, the Spratlys contested by five other claimants, and, of course, Taiwan. Moreover, although China wants Japan to continue providing capital, technology and trade, Beijing also believes that Washington has unwisely pushed Tokyo towards rearmament and a position of regional leadership. While the PRC prefers to see an eventual American military exit from East Asia, this goal is balanced by the realization that it would only occur after Japan becomes a substantial military force on its own.[25] In sum, the United States hopes that by assisting China's economic development and marketization it will create such vested interest in peaceful international relations that the goal of regional stability will dominate any desire by Beijing to alter the status quo in China's favour by the threat or use of force.[26]

It is estimated that China needs a nurturing international environment for economic reform to succeed, including US$300 billion annually in trade and about US$40 billion in foreign direct investment. To achieve these figures, China's leaders must avoid diverting resources into foreign adventures which could undermine international confidence in economic relationships. At a time of economic stress brought on by the downsizing of state enterprises and political strains over Taiwan's future as well as the PRC's troubled relationship with the United States, there is little evidence that Beijing is about to initiate a major military action.[27]

Nevertheless, the United States must be sensitive to the fact that China is fanatical about sovereignty. Two centuries of national humiliation and division are just now being overcome. Chinese leaders believe

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that the United States has never acknowledged their legitimacy. They resent the West's attack on human rights abuses and see these attacks as thinly disguised efforts to return the country to the old era of national division and humiliation. NATO's actions in Kosovo, undertaken independently of the United Nations in which China possesses veto power, are interpreted in Beijing as another indication of American *hubris* in which "'Western values' means savage trampling on the basic norms of international law ...."[28] Clearly, the PRC fears that NATO's intervention in the former Yugoslavia can become a precedent for similar U.S. involvement in Tibet or Taiwan.

The U.S. Congress is currently in an anti-China mode. Exercised by allegations of PRC espionage in U.S. nuclear weapons laboratories over a twenty-year period, a congressional panel concluded that Beijing used American nuclear secrets to miniaturize warheads and develop a mobile ballistic missile. The U.S. intelligence community is less certain, however. Some intelligence specialists believe that China could have achieved these breakthroughs on its own. Moreover, U.S. intelligence agencies have seen no change in Chinese nuclear weapons or doctrine, which calls for the use of such weapons only in retaliation against a nuclear attack on China.[29]

In contrast to the Congress, the U.S. military supports engagement with its Chinese counterpart. It sees the PLA as a major player in Asia-Pacific security and hopes that professional exchanges will increase Chinese defence transparency and promote confidence-building measures (CBMs) designed to reduce the possibility of accidents or miscalculations between U.S. and Chinese forces.[30] These U.S. hopes have, for the most part, been unfulfilled. American requests to visit bases and observe exercises are routinely rebuffed. And periodic U.S. queries about Chinese defence doctrine and detailed defence expenditures as well as the purposes of Chinese defence restructuring go unanswered. This partly reflects the different political cultures in the two countries. For the United States, transparency breeds trust. However, China argues that because of the asymmetry between the two countries, the United States can afford to be more open. If China were to reciprocate, it would reveal too many of its vulnerabilities.

Nevertheless, the PLA's fundamental national security function is not power projection but defence of the country's lengthy land and sea borders. Numerous serious weaknesses act as constraints on its external ambitions. China's assertiveness in international affairs is normal for a big power; moreover, an assertive China is not necessarily a militant one.

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The Taiwan Issue

The U.S. position on the future of Taiwan–PRC relations is one of calculated ambiguity. On the one hand, the United States has implied that it could use force to protect Taiwan from an unprovoked attack under the Taiwan Relations Act. On the other hand, Washington stresses the adjective "*unprovoked*", implying that if Taiwan were to recklessly challenge Beijing by declaring *de jure* independence at a time when the PRC is trying to negotiate more co-operative relations, the United States could choose not to respond to a PLA attack, or to respond only weakly. The U.S. goal, of course, is to convince both sides to avoid a showdown. Indeed, the United States has been increasing its official ties with Taiwan. In 1994, the Clinton Administration conducted an extensive inter-agency review and enlarged and upgraded relations with Taiwan, now permitting sub-Cabinet officers to visit the island regularly. The Administration has also called for closer and more frequent contacts to discuss non-political, that is, economic issues between American officials and their counterparts in Taipei. U.S. Assistant Secretary of Defense, Kurt Campbell, testifying before Congress in May 1998, indicated that the Taiwan Relations Act was indeed a centrepiece of the Clinton Administration's policy towards the island, and that the United States would continue to provide weapons to Taiwan to help maintain a balance of power across the strait. A 1999 Pentagon report, *The Security Situation in the Taiwan Strait*, declared that by 2006, Beijing would have an overwhelming advantage in offensive missiles.[31]

China's missile build-up across the Taiwan Strait led the White House in the Spring of 1999 to agree in principle to allow the sale of an early warning radar system to Taiwan — after Washington had reportedly tried unsuccessfully to convince the PRC to reduce the number of missiles deployed against Taiwan.[32]

China's concern over an enhanced U.S. commitment to Taiwan's defence is expressed in its allegations that the new Japan–U.S. Defense Guidelines implicitly extend to Taiwan, meaning not only that Tokyo is engaging in collective security for the first time but also that the United States is restoring a joint military relationship with Taiwan which it had ended in 1979 as a condition for diplomatic relations with the PRC. Moreover, Beijing is adamant that U.S. theatre missile defence development plans with Japan should not be extended to Taiwan. Nevertheless, it is improbable, even if such a defence were installed, that it could protect the island from missile attacks. A small number of inaccurate, intermittent missile strikes against major ports

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and cities, or nearby waters, would be sufficient to scare off most of Taiwan's economic partners.[33]

The latest challenge to stability in cross-strait relations was Taiwan President Li Teng-hui's July 1999 press interview statement that relations between the PRC and Taiwan would henceforth be considered *state-to-state* by Taipei. This new designation seems to move the island another step closer to, but still short of, a formal declaration of independence. Inspired in large part by Taiwan's domestic politics in anticipation of the next election, the declaration, nonetheless, presented a challenge to Beijing at a time when relations with the United States were just beginning to recover from the chill of the NATO bombing of the Chinese Embassy in Belgrade. President Li is pursuing a risky and dangerous strategy. Anti-China sentiment in the U.S. Congress is at an all-time high. Taiwan partisans, such as Senate Foreign Relations Committee chairman Jesse Helms, are using the Li declaration to argue that the United States should reintegrate Taiwan into America's Northeast Asian defence arrangements through Taipei's participation in joint missile defence development with Japan.

From Beijing's viewpoint, President Li seems to be manoeuvring the United States into a new solidarity with Taiwan against China. If successful, this could put Beijing and Washington on a path towards war. At the same time, Taiwan independence advocates could welcome long-term China–U.S. hostility as the *sine qua non* for independence.

If President Li had hoped that his statement would derail improvement in Beijing–Washington discourse, he would have been disappointed. Instead, the United States has reaffirmed its one-China policy and referred to Taiwan's new rhetoric as "unhelpful." In any event, so far, China's reaction has not gone beyond harsh denunciation. Western specialists agree that the PRC is not prepared to threaten Taiwan with military invasion. One can also argue that President Li's declaration might even promote stability over time as subsequent Taipei elaborations included a statement that it would no longer be necessary to declare independence — the most probable trigger for a PRC attack — and that Taiwan was still committed to long-term unification with the mainland.[34] Beijing's relative restraint may also be based on the fact that Li will be replaced as President of Taiwan in the elections to be held in March 2000, perhaps by James Soong, a Kuomintang leader who favours more cordial ties with the PRC.

Strategy on the Korean Peninsula

The most worrisome component of the U.S. strategy in East Asia is the Korean peninsula. Protracted political and military tensions with

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North Korea, combined with its economic decline, have led Washington and its allies to a two-pronged strategy: deterrence and economic aid, the latter to prevent the political system's collapse. Since the 1994 Agreed Framework, designed to halt Pyongyang's possible nuclear weapons development, the United States, Japan and the ROK have attempted to trade diplomatic and economic concessions for the North's military moderation.

The centrepiece of this strategy is the Korean Energy Development Organization (KEDO) which commits the United States, the ROK, Japan, and to a smaller extent the European Union to construct two light-water reactors at an estimated cost of US$5 billion. In return, the North has frozen its preceding nuclear power programme. The other elements in U.S. strategy include efforts to convince the DPRK to stop exporting ballistic missile technology to Pakistan and the Middle East, and to refrain from further ballistic missile tests of its own.

The results are mixed at best. While North Korea's weapons-grade plutonium production has ceased, its missile development and sales are burgeoning, creating a security threat in Northeast Asia, South Asia, and the Middle East. Moreover, despite desperate economic conditions, there is no sign that Kim Jong-il's regime is in imminent danger or that he is prepared to make any significant military or political concessions to accommodate the United States and the ROK. Indeed, Pyongyang has spurned the political overtures of the most conciliatory president in South Korea's history, Kim Dae Jung. The most obvious explanation for this rigidity is that the North's ruling communist party does not want to concede anything that would suggest that the ROK is legitimate. To do so would undermine the DPRK's *raison d'etre*. Kim Jong-il's only justification for continued rule is the goal of unifying the peninsula under North Korean auspices. Compromise would undercut his only source of legitimacy. Thus, the primary U.S. strategy towards the North must remain deterrence and military readiness.[35]

While the more positive incentives of U.S. engagement link the lifting of economic sanctions, renewed aid, and ultimately diplomatic recognition in exchange for reduced tension on the peninsula, there is little reason to believe that this approach will succeed. Indeed, former U.S. Defense Secretary William Perry's Report offers North Korea two options: the positive one promises large-scale economic assistance and diplomatic recognition while the alternative, should the North continue its hostile behaviour and launch another long-range missile into the Pacific, will be an increase in military capabilities in and around the peninsula. This latest version of "carrot and stick" rings hollow, however. It should be noted that North Korea already receives large amounts of assistance from the United States, South Korea, Japan, and

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China *without* reducing tension on the peninsula. If Pyongyang can obtain this aid without changing its policy towards the South, then why should it be expected to terminate its major source of foreign exchange, the export of ballistic missiles and related technology?[36]

Southeast Asia in U.S. Strategy

Southeast Asia finds itself in a new strategic environment. Though still prominent, the U.S. military presence has been reduced; and the roles of China and Japan as major regional powers have increased. Strategic stability for Southeast Asia, then, depends on cordial relations among the United States, Japan, and China. In times of stress, by contrast, the SLOCs could be threatened, Japan could increase its military presence, and China could respond in kind. To reduce these negative prospects, the Southeast Asian states support close Japan–U.S. military relations, provide bunkering opportunities for the U.S. Seventh Fleet, and engage China in a way that acknowledges its stature as a regional great power, and has involved Beijing in conflict management. In short, the ASEAN-10 desire friendship with all the great powers but domination by none. Opportunities for a sustained U.S. military presence are provided not to engage in coalition warfare as a partner of the United States (those times are over) but to balance a growing Chinese presence and to ensure that Japan has no need to assume the United States' protector role.[37]

There remains, nonetheless, an ASEAN ambivalence towards these limited military arrangements with the United States. Temporary port and airfield visits have been approved; but the permanent prepositioning of military supplies is not, as indicated by the 1994 Thai refusal to permit the United States to station six supply ships in the Gulf of Thailand. This ambivalence towards the United States reflects several considerations: on the positive side, a belief that the U.S. military presence is both necessary and benign but, on the negative, a concern over heavy-handed American interference in the region's domestic politics. A recent example of the latter was Vice President Al Gore's blunt condemnation in Kuala Lumpur of Prime Minister Mahathir Mohamad's treatment of his former deputy, Anwar Ibrahim. Postulating a link among economic success, American liberal values, and U.S. structural power in world politics, Gore seemed to threaten that unless regional governments promoted liberal change, the United States might turn its back on the region's future. The Vice President's diatribe, though playing well in Washington, proved a disaster in Southeast Asia for it lent credence to Mahathir's complaints against the United States: that it was unwilling to treat Asians as equals and that it was seeking to subvert the region's economic and political institutions.[38]

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U.S. strategy concerning the intransigent Spratly Islands dispute has consistently appealed for a peaceful resolution and has urged China to avoid actions that increase tensions in the region, citing continued PRC construction on Mischief Reef. The Philippine Senate's June 1999 ratification of the Visiting Forces Agreement with the United States has reopened opportunities for joint exercises and the provision of some U.S. military equipment. However, none of these developments alters the basic U.S. policy of neutrality towards the dispute. Within Southeast Asia, Washington's passivity towards the Spratlys is seen as part of its engagement policy towards China and may partly account for ASEAN's lack of interest in taking a strong stand against Chinese encroachments at the December 1998 ASEAN meeting in Hanoi.

By taking advantage of ASEAN's preoccupation with economic recovery and Washington's general passivity, Beijing indirectly calls into question the utility of the U.S. presence in the region. This situation also supports China's argument that U.S. bilateral alliances are relics of the past.[39] Nevertheless, under the U.S.–Philippine Mutual Defense Treaty, the United States may arguably be obligated to come to Manila's assistance in the event of a confrontation with PLA forces in the Spratlys. While the treaty does not cover the contested islets, it does stipulate that the United States will assist the Philippine military if it is attacked — without specifying the location. Should there be a Philippine–China military confrontation over the Spratlys, Manila could call on Washington to fulfill its treaty obligations. Some Chinese analysts have even alluded to this possibility. And Philippine President Joseph Estrada has publicly reminded Washington about it.[40]

At the most recent meeting of the ASEAN Regional Forum (ARF) in July 1999, the United States urged the group to devise ways of relaxing military tensions in the South China Sea. Clearly, Washington hopes that the Spratly claimants and their neighbours can devise ways to cool both rhetoric and the competitive occupation of Spratly features before military escalation occurs.

Conclusion

To speak of a grand strategy requires consensus among decision-makers. However, the very structure of American government precludes that consensus because decision-making authority not only is divided between the Executive branch and Congress but also within the Executive branch itself by, among others, the Departments of State, Defense, and Commerce. Thus, depending on the foreign/security policy issue, pulling and hauling occurs both within the Executive and between the President and Congress. The outcome frequently suggests either an incoherent

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strategy or even contradictory strategies as, for example, when Washington wishes to elicit military co-operation from states that it simultaneously berates for human rights or trade policy violations.

While the United States increasingly recognizes the importance of multilateralism for Asian security, its Cold War bilateral alliance system remains intact. To a degree, these alliances are becoming intermeshed as the United States co-ordinates exercises among its allies to effect interoperability. Increasingly, the U.S. Pacific Command's (PACOM) exercises, numbering more than 200 per year, involve at least three states.[41] The American emphasis in these exercises is on mobility, that is, moving forces into the region from across the Pacific. This practice is an implicit recognition that the numbers of American ships, planes, and personnel deployed in East Asia are not sufficient to meet a serious crisis.

The countries with which the United States has the greatest degree of interoperability based on joint exercises and compatible equipment include Japan, the ROK, and Australia. Singapore, too, as a location for PACOM's supply and repair office in the western Pacific, has a high degree of interoperability with American forces.

U.S. alliances in Asia are no longer overtly threat-based. Instead, the emphasis is on shared interests in the maintenance of regional stability. Thus, when Thailand needed to cancel its purchase contract for F-18 fighter aircraft in 1998 because of the economic crisis, Washington facilitated a U.S. Marine Corps purchase. Nevertheless, in Southeast Asia particularly, the absence of clear threats and territorial boundaries to defend creates a certain amorphousness in American policy. The alliance with the Philippines is attenuated by disputes over the territorial scope of U.S. obligations, while America's commitment to Thailand is based on an executive understanding rather than a formal treaty. Moreover, the one area where U.S. strategic interests are most evident — freedom of the SLOCs in the South China Sea — received virtually no mention in the latest 1998 U.S. strategy statement for the Asia-Pacific.

Although the two most dangerous flashpoints for U.S. military involvement are located in Northeast Asia — Taiwan and Korea — and even though political tensions characterize each venue, war does not seem imminent. Despite the gradual modernization of its air force and navy, China remains a relatively backward military power unable to invade Taiwan for some time to come. Rather, the PRC is focusing on a political solution to the current Taiwan crisis, one that would also help mend Beijing's rift with Washington by reasserting their common commitment to "one China".

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As for Korea, the North's long-range missile tests have had the unintended effect of moving Japan closer to becoming a normal military power. Tokyo is independently developing a satellite surveillance system and also contemplating for the first time the provision of airborne refuelling for its air force which would lengthen its operational range. South Korea is also negotiating with the United States for the acquisition of missiles with a range sufficient to cover all of North Korea. Washington seems sympathetic on the condition that Seoul joins the Missile Technology Control Regime.

In effect, North Korean missile prospects have brought the United States, Japan, and the ROK closer together to plan a joint strategy towards the DPRK — one that offers the carrots of economic aid and diplomatic recognition in exchange for the abrogation of further missile tests and exports. While the positive incentives are clear, unfortunately, no consensus among the three states seems to exist on the steps to take should Pyongyang ignore their appeal. Therein lies the greatest gap in America's Asia-Pacific strategy.

That the United States is a benign hegemon is generally agreed. That it is a reliable security partner, however, depends on the identities of allies, adversaries, and the nature of the conflict. That this combination makes for an incoherent strategy is a reluctant conclusion in East Asia.

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The Revolution in Military Affairs and the Evolution of China's Strategic Thinking

YOU JI

The revolution in military affairs has inspired the People's Liberation Army to formulate its long-term modernization guidelines. To the PLA, RMA is the world standard and future trend for a powerful military. The very fact that China has little capability to cope with an RMA-type of war prods the PLA to study RMA and to apply, where it can, its principles. China will continue to reform the PLA along the lines of RMA, gradually streamlining and digitizing its C³I systems, significantly trimming its force size and substantially restructuring its force components. Military research and development will give greater stress to new concept weapons. National defence strategy, campaign tactics, and combat principles will also be under constant review. In short, the PLA will become more open, flexible, forward-looking and, above all, more professional.

Introduction

The revolution in military affairs (RMA) has become the biggest challenge to China's economic development and military modernization. To Chinese political and military leaders, RMA is not only a new military theory but it also promises to be a new type of war of mass destruction. The Chinese leadership has genuine reasons to be worried. The countries most vigorously advancing RMA and most capable of bringing the concept to reality are all China's potential adversaries. The United States, in particular, will be using RMA to consolidate its military superiority over all other countries in the decades to come.[1] Worse still, for a

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long time to come, the People's Liberation Army (PLA) will have few capabilities to deal with a war of mass destruction brought on by RMA, nor will it be able to achieve breakthroughs in military technology necessary to apply RMA to its own defence modernization. It is likely that China may be left further behind as RMA helps the United States to achieve a qualitative leap in its power projection capabilities in the new century. Because of the gravity of the issue to China's long-term national security, the Chinese military has shown much enthusiasm in learning, absorbing and applying RMA as part of its efforts to catch up. If China can successfully translate RMA concepts into its strategic guidelines, weapons programme and force restructuring, the PLA will in time take on a new look, with consequences for the whole of the Asia-Pacific region.

Embracing the Revolution in Military Affairs

The concept of RMA was first discussed within Soviet military circles in the 1970s. When U.S. defence analysts caught on to the Soviet term of "revolution in military technological affairs", they became nervous and thought that the USSR would attain some element of military superiority over the United States. Only later did they discover that the Soviet research effort was actually aimed at studying innovations in U.S. military thinking, which were stimulated by the great leap forward in high-technology. The systematic study of the linkage between technology and military affairs by the two superpowers at that time resulted in a prediction that the revolution in information technology would fundamentally transform the way warfare is conducted.[2]

RMA was brought to prominence over the past decade by Operation Desert Storm and the war in Kosovo, both of which revealed the new dimensions of battle-field combat. However, as the first group of eager learners, the Chinese studied the discussion of RMA in both the United States and the USSR as early as the start of the 1980s. Since then, they have published a large number of articles on RMA, anticipating that something revolutionary might soon happen in military science and armed conflict. Immediately after the official adoption of Deng Xiaoping's "people's war under modern conditions" in the early 1980s, the Chinese Military Commission (CMC) launched a nation-wide campaign to study how the PLA would fight at the turn of the century. In 1987, a strategist in the PLA Academy of Military Science stated that a qualitative change in military science was in the making. This change was stimulated by the development of high-technology conventional armoury, such as laser and fixed-energy weapons systems, the effect of which was increasingly approaching that of nuclear

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weaponry.[3] In a keynote speech to the PLA's first all-services conference on future war in 1986, General Zhang Zhen, the second highest in rank in the PLA in the 1990s, said he believed that if the PLA could not foresee the developmental trend of military science, it would be left further behind.[4] Since the mid-1990s, the concept of RMA has attracted much interest from the rank and file of the PLA, which has witnessed the prototype application of RMA ideas by the United States in conducting high-technology wars. In a sense, China is fortunate to have been exposed to such international events and technological revolution at a time when its leadership is under minimal ideological constraints. This unprecedented level of political relaxation has permitted PLA researchers to take a realistic approach to the study of new kinds of warfare. Now it has actually become the vogue for PLA soldiers to talk about RMA. American experts Andrew Marshall, Stephen Blank, Martin Libiki, and others have been quoted frequently by PLA research analysts.

Such zeal to learn RMA has surprised many Western observers. They are surprised because RMA is an invention by the advanced military powers but is now being embraced so eagerly by China whose technological foundation can hardly sustain any real attempts by the PLA to put RMA into practice. This says a lot about the PLA today, which is much more open and pragmatic. As pointed out by Michael Pillsbury, the PLA's elaboration of RMA has shaken up Western notions about the backwardness of its strategic planning. Indeed, the very fact that RMA is studied in China is an indication of the PLA's advance; besides the Chinese, only the Americans and Russians have written on the subject to any significant degree.[5]

RMA and the Three Schools of Thought in the PLA

Within the PLA, however, it is clear that many influential generals have reservations about RMA, contending that the concept is not one that will be easily achieved by the PLA. Currently, there are three schools of thought in the PLA, each debating with the other two over what is the best strategic guideline for China's future military modernization. The first school of thought promotes "people's war", supporting either the original Maoist version or its Dengist variant. The advocates of this school are the remaining "Long Marchers" (who still exert influence in the PLA) and their close associates in active service. They believe that, given the present backwardness of the country's military technology, the PLA has no choice but to depend on people's power and the current state of military technology and equipment to frustrate an enemy invasion.[6] The number of people

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subscribing to this school of thought is the smallest among the three schools. Yet, their arguments cannot be entirely dismissed, since the U.S. defeat in Vietnam and the Soviet humiliation in Afghanistan showed that people's war is not without its logic in the defence of a continental country. The United States is fearful of casualties; therefore, the usefulness of people's war has not been exhausted against the threat of war by the United States, even in the high-technology era. The influence of the "Long Marchers" is, however, waning because even they have realized that what China may face in a future war is not an invasion on its land mass but rather lightning, or sustained air and missile strikes.

At present, most of the PLA generals still belong to the school of high-technology warfare. Led by powerful military leaders such as Admiral Liu Huaqing, former vice-chairman of the CMC (who retired in 1997), these senior officers hold key PLA positions. This school of thought contends that China has not yet entered the information age and therefore does not have a solid technological foundation for practising RMA. This view is similar to the prediction of U.S. analysts that RMA can take root in the PLA only after the second decade of the twenty-first century.[7] In addition to timing, this school differs from the RMA school in that the latter takes a more integrated view of the features of information warfare (IW). More importantly, people who subscribe to this school do not envisage an urgent need for a fundamental overhaul of China's armed forces in the foreseeable future. They agree to some restructuring of the PLA, placing more emphasis on the development of specialized services, such as the air force and navy.[8] Yet they dismiss the idea of establishing digitized army divisions and of constructing a digitized battle-field as relevant to China's military modernization. For instance, they believe that it is too early to think of replacing the current command, control, communications and intelligence (C^3I) system linking the CMC, the seven military regions and a number of designated war zones with a new integrated five-dimensional C^3I system (land, sea, air, space, and electronic space) that removes the current functional divisions of command between geographical locations and different services. In other words, this school of thought stresses only individual aspects of IW, although it acknowledges the changing patterns, modes and processes of high-technology warfare.[9] China's current national defence strategy bears the name of this school of thought, the specific features of which will be discussed later.

In contrast, the RMA school of thought theoretically tends to aggregate all the features of IW and analyse these features in a forward-looking manner. The number of true believers of RMA in the PLA

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is small and many of them are merely subscribing to the views of their American counterparts without having a good grasp of the nature of RMA. These enthusiastic supporters of RMA are strategy planners in the headquarters of the PLA's specialized services, and academic staff in PLA education and research institutions. It is they who have spearheaded the study of advanced Western military ideas and have convinced the PLA top brass that times have changed. They are young, well read, visionary, and anxious to create a new PLA that is more professional than revolutionary. They favour China's modernization but reject its wholesale Westernization. They entertain strong nationalistic feelings but oppose a closed-door approach. More interestingly, they see communism as irrelevant to China's goal of strengthening itself but accept the Chinese Communist Party (CCP) as the vehicle for the realization of that national goal. Painfully conscious of their country's present state of military backwardness, they seem to harbour a suppressed ambition which might explode in hawkish rhetoric concerning China's territorial disputes with other countries.[10] Looking into the future, they will increasingly wield more influence within the PLA and even over national politics as a whole. This is partly because they are strategically positioned within PLA headquarters at various levels, with promising career advancement ahead of them. In PLA tertiary institutions, they have been teaching future PLA leaders and forging useful personal networks. More importantly, their views on RMA are based on their understanding of technological developments in the new century and this has won them the firm support of CMC chairman Jiang Zemin who, as a farsighted technocrat, is very enthusiastic about RMA. This has been the fundamental reason for RMA becoming so popular in the PLA, as RMA advocates get better chances of promotion with Jiang's blessing. It is safe to predict that when these individuals assume senior command positions in the new millennium, the future development of the PLA will be guided more visibly by the ideas of RMA.

The significance of the debate among the three schools of thought is that before the technocrats took over leadership positions in the CCP and military, technology was only one of the variables in the formulation of a national defence strategy. The generalists-dominated leadership had a natural tendency of belittling the role of technology, as reflected by Mao's view of nuclear bombs as paper tigers. Now, the technocrats have a real grasp of the technological revolution and consciously direct the military decision-making process based on current and future technological innovations. This has resulted in the Party's new political line of transforming the PLA from a quantitative to a qualitative military force, formally discarding a long PLA tradition that

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identified strength with large numbers of infantry soldiers. As one senior PLA theorist commented: it is inevitable that a military has to evolve from drawing physical strength from numbers (*tineng*) to relying on technological hardware (*jineng*) to becoming eventually an intelligent military (*zhineng*).[11]

However, it is a mistake to believe that the three schools of thought have created cleavages within the ranks of the PLA. The PLA has formed a general consensus that the information age has arrived, and technological breakthroughs have profoundly altered the way that warfare will be conducted. All PLA personnel agree that China needs to catch up with this change. At the same time, they take useful elements from each school to fit in with the changing times. The idea of people's war is still regarded as valid in some circumstances, such as in a conventional territorial war against an invading enemy. The high-technology school of thought is designed to deal with limited regional high-technology wars, which China is mainly preparing itself for. In a war, the PLA will rely on its high-technology-capable units, especially the specialized services to carry out its war plans. At present, with its limited amount of high-technology hardware this is probably all that the PLA can do. In the future when China has attained a solid technological foundation and the PLA has overcome its current equipment vacuum, it will be better placed to implement the ideas of RMA, utilizing advanced military satellites, miniaturized supercomputers and long-range precision weapons to digitize its armed forces. Thus, the RMA school of thought is now more of a philosophical blueprint than a practical roadmap for China's defence. Only when China's national strength has grown can RMA be used as a real guideline for the PLA's military preparations and thus unify the thinking of its high command.

Understanding and Sinifying RMA

For the present time, the PLA has worked hard to understand the effects of RMA on military establishments. In 1998, the PLA's National Defence University convened a major workshop on RMA. The participants tried to work out a definition of RMA. They agreed that RMA was made up of five revolutions: the military thinking of officers, military technology, military equipment, strategic theory, and force structure. They also agreed that the core of RMA was the swift development of information technology.[12] In a way, the workshop played an important role in systemizing the PLA's efforts in learning about RMA. Indeed, the PLA's efforts in this regard have caught the attention of an American professor at the Armed Forces Staff College, who commented: "the Chinese defence analysts appear to be at the cutting

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edge of the implications of information war for traditional institutions such as the military."[13] What exactly has the PLA learned from RMA? Major General Chen Youyuan, Director of the Officers Training Bureau in the General Staff Department (GSD), summarizes the key features of RMA, as understood by the PLA. According to him, RMA is profoundly altering the military forces in a number of areas:

- RMA is changing the components of the armed forces, especially in the campaign formation between different services;
- RMA is introducing new combat means;
- RMA is generating much larger combat space;
- RMA is creating new modes of operations; and,
- RMA is inventing new methods of combat engagement.

All these in turn propel the military to make theoretical breakthroughs in order to accommodate new developments in technology and combat operations. In General Chen's view, the PLA has, together with other major military powers, entered an era of new military thinking, new military ideas, and new military concepts. Thus, whoever fails to adopt RMA will be defeated in the future.[14]

In studying RMA, PLA thinkers have indeed come up with a number of new ideas that they want to incorporate into their planning for the long-term modernization of the Chinese armed forces. Among other things, the following are some of their findings:

- *Strikes from long distance.* New sophisticated terminal guidance systems and precision weapons have made beyond-visual-attack possible. This will minimize human engagement and greatly reduce casualties. PLA researchers have noted the United States' new concepts of combat, such as "disengagement and indirect assault", and "concentrated firepower but dispersed manpower". They accept the claims by U.S. military experts that in the distant future tank battles, aircraft dog-fights, and exchange of gunfire between warships will become history.[15]

- *Small-sized battle formations without compromising strength and outcome.* A small, élite force structure and simple-layer C^3I systems are more suitable for IW, which is characterized more by combat between hardware/software than between men. Digitized and precision-guided munitions have multiplied the fire-power of military units. Therefore, a small high-technology force can overpower a numerically superior enemy. In particular, digitization is a key indicator of a military force of the future.

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It provides a high level of battlefield transparency to the side which has the means to acquire multi-dimensional intelligence.

- *Link between superiority in information gathering and victory of an operation.* Information technology has not only become an indispensable means for better command and communication, but it has also constituted an effective weapon to kill enemies directly. Combat between opposing forces is, firstly, between their capabilities in gathering, processing, and analysing information. So combat engagement begins long before soldiers fire at each other and may become invisible physically. That is to say, attacks at the enemy's defence nerve centres can be achieved without using aircraft, warships, and missiles. They can be carried out simply through computer viruses and software bombs to paralyse C^3I systems. Superiority in information technology amounts to superiority in combat operations.[16]

The Chinese are not only learning RMA, they are also trying to sinify it according to their own traditions, current practices, and future needs. In other words, they are injecting Chinese characteristics into RMA.[17] According to China's top defence scientist, Professor Zhu Guangya, RMA is the product of socio-economic and technological development. It is the organic and timely combination of advanced weapons systems, new military theoretical guidelines, and suitable force structure. This combination can generate qualitative change in the employment of military power.[18] The key to sinifying RMA is the PLA's understanding that it will be doomed to failure if its rank-and-file merely copies mechanically an RMA-induced new force structure and the combat patterns of its prospective opponents. The PLA should have its own RMA ideas and practices that suit its particular situation as a strategically defensive force with inferior weaponry. In other words, to many PLA strategists, RMA should not be a technological privilege endowed only to a superpower.[19]

The Chinese believe that RMA is still in its formative years, with its initial phase extending to 2030.[20] Therefore, it is difficult to visualize the full potential. It is theoretically not too late for China to catch up with this crucial developmental trend but it is running out of time. If the war in Kosovo proved anything, it was the West's trigger-happy interventionism in regional affairs. This new interventionism is dependent on its superior weaponry, which makes it possible for RMA concepts to be implemented, as indicated by the unprecedented zero combat casualties for NATO forces.[21] To the PLA, however, it is far easier to talk about catching up than actually doing it. One precondition

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for the ability to catch up is to have a correct understanding of what RMA means, especially what it means to China's military modernization drive. Even with proper understanding, the Chinese leadership still confronts an enormous task in attempting to apply this understanding in the policy-making process. Political consensus does not mean automatic removal of bureaucratic barriers, existing vested interests, and budgetary limitations in restructuring force components, resequencing weapons research and development (R&D) and equipment priorities, and reformulating specific plans for combat.

In order to meet the challenges of RMA, the Chinese armed forces have worked out a number of principles in learning RMA. First, the PLA has been instructed by the CCP leadership to further emancipate the minds of its officers and men and constantly upgrade war-fighting theories. Major General Chen Youyuan has argued that although RMA is driven by the revolution in military technology, new technology itself will not automatically produce theoretical guidelines for the PLA's preparations for possible war. Without new combat theories, technology cannot by itself win wars. Moreover, new theories will not be invented without a fundamental change in the mentality of PLA senior officers.[22] In fact, RMA is seen as not only bringing pressure to bear on the PLA, but also opening up new opportunities for it: RMA provides a stimulant for the PLA to shake off its historical burdens rooted in revolutionary ideology and old military strategies.

Secondly, the PLA has made it an urgent task to broaden its horizons and follow closely the major military powers regarding new theories and practices. The PLA now believes that the limited nature of high-technology wars has provided opportunities for China to study the logic, operational features, and combat patterns of potential adversaries. These should serve as a useful reference for the PLA to work out counter-measures. At the same time, the PLA should use these case-studies as guides to develop its own combat theories and principles.

Thirdly, the PLA believes that IW should be carefully studied in order to learn both its strengths and weaknesses. This is crucial for the PLA, which for a long time will have to rely on inferior weaponry to fight powerful enemies. One important task that the PLA has assigned its research institutions is to study thoroughly the war in Kosovo. They have analysed how NATO air attacks were hampered by bad weather and difficult terrain. They have also questioned why Yugoslavia's integrated air defence system failed to shoot down a significant number of invading aircraft, and why NATO forces failed to inflict a high level of casualities on the Serbs. The PLA wants to determine the lessons it should draw from that one-sided contest because it may have to face a similar situation in the future. Thus, to most PLA generals, RMA

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is no longer a theoretical concept but a type of warfare that China currently has few countermeasures to deal with. This predicament highlights the pressing need for the PLA to study the ideas related to RMA.

Injecting RMA into a High-technology Defence Strategy

The RMA has provided a timely guideline for the PLA to improve its new national defence strategy, both in theory and practice. There is therefore a major attempt to sinify RMA according to the PLA's own defence requirements. PLA generals are now more convinced than ever before that winning a high-technology war depends on hardware superiority, sound tactics, and a suitable force structure. They also realize that Deng's "people's war under modern conditions" has created confusion regarding the basic direction of the PLA's development. Conceptually, it has become self-contradictory, conflating two very different strategies of relying on a population base (luring the enemy into the heartland and engaging it in a protracted people's war), on the one hand, and firepower (modern conditions, namely, holding the enemy in specified areas by professional armed forces), on the other. The doctrine of active defence, the concrete form of Deng's strategy, which was designed at the start of the 1980s to withstand a Soviet land attack through positional warfare, seemed to have been out-of-step with the evolution in international affairs.[23] Then, the strategy of fighting a limited regional war, formulated in the second half of the 1980s for dealing with China's border disputes, was regarded as not providing a long-term guide for the PLA to address its security concerns and practical need for weapons systems. That is to say, China as a major world power cannot base its military modernization efforts simply on considerations of the potential conflicts in the South China Sea, or along its land borders with Asian states.[24]

Thus, for some time at the turn of the 1990s, China was experiencing a vacuum in national defence strategy. Fortunately for the PLA, the Gulf War erupted and provided the Chinese with a concrete picture of what a future war would be like. Jiang Zemin summarized his grasp of future military affairs during his inspection tour of the PLA National University of Science and Technology in 1991 by saying that any future war would be a war involving high-technology, a war of multiple dimensions, a war of electronics, and a war of missiles. The PLA would have to be ready for such a reality.[25] Since then, Jiang has worked hard to build a consensus among the top civilian and military leadership about China's national defence strategy in the information age. In 1992, the CMC approved such a new strategy, tentatively defined as fighting

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a future war under high-technology conditions, which, while remedying traditional doctrinal defects, laid the groundwork for force restructuring, general training, and formulation of updated war-game plans to counter potential threats to China.

What is the relationship between Deng Xiaoping's doctrine of fighting a people's war under modern conditions and the post-Deng strategy of fighting a future war under high-technology conditions? The latter has clearly evolved from the former but has brought it much closer to the political and security reality of the information age. Both envisage active defence to hold an enemy's invasion at bay rather than luring it into the heartland. Both prefer advanced military hardware to manpower and call for building a standing army of high quality. Both highlight the need for launching combined military operations in contemporary warfare, emphasizing the decisive role of the specialized services, especially the air force.

Yet, drawing on the crucial elements of RMA theory, the high-technology strategy differs from Deng's strategy in several important respects. Firstly, the former calls for establishing a linkage between active defence and forward defence, which may mean power projection beyond the country's land borders. This is a radical departure from Deng's active defence, which was confined basically to territorial defence in the form of positional warfare around major cities. Deng's defence is "active" only when compared to Mao's passive people's war. Forward defence is the key to the new strategy, as it recognizes that in a high-technology war the enemy can strike from a long distance, a key element of RMA. The PLA regularly cites the example of how the advancement of military technology in the 1970s, as seen from the development of long-range precision weapons, could allow NATO to attack Soviet second and third echelon formations from afar, thus denying the Soviets the initiative of launching a large-scale conventional war. Previously, NATO could only plan for a war of attrition against preponderant Soviet ground forces. The PLA has realized that with RMA unfolding, the defining line dividing the front and rear has become increasingly blurred. This has forced the PLA to enlarge greatly its strategic depth, which, according to its defence planners, should not be restricted to within Chinese borders. For example, air and missile defence should be stretched even beyond the enemy's first-line air base.[35] To the PLA, expanding defence depth might not prevent the enemy's long-range attacks, as happened in the war in Kosovo. Yet, if the enemy could be effectively engaged in the outer defence line of the country, the PLA might at least pose a greater threat to the enemy, secure precious early warning, and thus reduce its personnel and material losses. Moreover, in geopolitical terms, this forward defence can take the form

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of forward deployment in areas subject to overlapping territorial disputes. As an expression of sovereignty claims, this entails the permanent stationing of PLA units in, and regular military exercises around, these areas. In some extreme cases, this even entails a demonstration of strategic brinkmanship to protect China's vital national interests, such as its territorial integrity.

Secondly, the high-technology defence strategy is largely an offensive-oriented strategy reflecting the PLA's shifting emphasis towards the "active" versus the "defensive" side of war preparations. In a way, this is a reversal of Deng's doctrine. The PLA was quick to learn immediately after the Gulf War that high-technology wars cannot be fought along fixed defence lines. The line between battlefield frontier and its depth will become very thin. Trench warfare will be a rare phenomenon. According to this change, some PLA strategists argue that China's post-Cold War military guideline should be changed from Deng's *yifang weizhu fangfan jiehe* (defence as overall posture, offence as the supplement), to *linghuo fanying gong fang jiehe* (adroit response based on a combination of offensive and defensive capabilities). Offence is now understood as capturing the very nature of information warfare: evolving high-technology hardware is highly biased towards a swift offensive strike because technological innovations have increasingly blurred the boundaries between offensive and defensive weaponry. Indeed, RMA is all about how to maximize the offensive. Digitized battle-fields, electronic soft-kills, and pinpoint accuracy in eliminating the enemy's key targets all indicate that it is the offensive side that can seize the initiative in war and has the best chance of success. An offensive posture and pre-emptive strikes are especially crucial for a weak military at the beginning of a fast-paced high-technology war.[27]

In practice, post-Cold War uncertainties have required the PLA to enhance rapid-reaction capabilities to cope with new sets of events. Under some circumstances, active defence can mean pre-emptive offensive campaigns to neutralize an imminent threat.[28] PLA strategists argue that a country's need to protect its territorial integrity dictates a forward posture. Take Taiwan as an example. Here, the Chinese are politically and diplomatically sensitive to the efforts of the independence movement on the island, and as such often adopt a pro-active stance to counter that movement. Militarily, however, the PLA has to develop capabilities powerful enough to deter any attempt by the Taiwan authorities to move towards independence. If this fails, it has to launch an offensive military operation. Inevitably, the PLA has to formulate its detailed invasion plans based on existing weaponry. More importantly, this propensity to employ military forces is closely linked to the concept of military deterrence at various levels of possible armed

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conflict. A strategy of deterrence against foreign invasion differs from that of safeguarding national sovereignty. Generally, a defensive-oriented military strategy cannot make the latter credible. This is especially true when the political forces for independence have the support of a high-technology military.[29]

Thirdly, as RMA envisages changing forms of action in the not too distant future, China's post-Deng defence strategy also leaves room for adjustments in absorbing new technologically-induced innovations in military modernization. Politically, the strategy is also forward-looking. Its high-technology focus aims mainly at defence against strategic concerns, namely, the major military powers. At the same time, the strategy is flexible in principle, catering to different scenarios, from major high-technology wars to small-scale border conflicts. This is the response of China's armed forces to the country's changing security environment in the post-Cold War era. Militarily, the post-Deng defence strategy is not just a change in doctrine. It is forward-looking, as it is geared to preparing the country for possible conflict in the new century. Therefore, it prescribes concrete measures for weapons programmes, force modernization, campaign tactics, and research priorities, which do not aim at equipping the PLA in the next few years but to keep it at the cutting-edge of high-technology breakthroughs some decades from now.[30]

What is the significance of thinking ahead militarily at the present time? To RMA advocates, establishing the correct direction of military development may be more important than the immediate availability of advanced hardware for the PLA's use. They point out that the importance of RMA does not lie in how to develop high-technology equipment but in how to utilize it. Without a sound strategic theoretical framework, even if the PLA acquired sophisticated weaponry in the years ahead, it cannot be used scientifically to realize its full potential. It gives one example to prove this point: in the 1930s, France and Germany had a similar number of battle tanks. While the tanks of the French army were scattered, they were concentrated in the élite German army divisions, making them unstoppable in ground battles. The different deployment methods produced vastly different effects in war.[31] This example has convinced the PLA that national defence strategy, weapons development, and force structure are the trinity to make the armed forces powerful. Without one of the three, modernization will be led astray.

Putting RMA Ideas into Practice

Although the Chinese leadership has no illusions of how far away

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the country is from realizing its RMA dream, it has not given up trying. Indeed, it has made small steps in following the direction of RMA in its drive for defence modernization. The PLA can do nothing much presently but it believes in building a solid foundation, both in theoretical and material terms, for the day when the country is finally capable of translating its RMA blueprint into reality. Below are a few initiatives taken by the Chinese to put RMA ideas into practice.

Setting the National Goal for High-Technology Research

RMA has become a driving force for the development of science and technology for China. The Chinese leadership has rightly concluded that without a sound technological foundation it is useless to talk about RMA. China's high-technology base is currently quite thin. Only in limited technological areas has China reached world standards, such as in its space programme. Market reforms have created opportunities for gradually strengthening this weak foundation, as China's rapid economic growth has made research for high-technology weapons more affordable than before. However, the Chinese recognize the fact that it is too early to seriously contemplate the narrowing of the technological gap with the West. This is one reason why China feels vulnerable with an RMA-type of warfare. On the other hand, China's technocrats-turned-leaders have made it state policy to enter the high-technology race with the major powers, although the policy does not put guns above butter.[32] They have not failed to notice that the U.S. technological race with the USSR helped it to achieve a superior position in post-Cold War economic competition. The new understanding is that defence-related high-technology has always led scientific and technological revolutions. The applications of military information technology can be wide-ranging and profitable.

Since the beginning of the "Cold Peace" brought about by the "Third Way", which places humanitarian concerns above national sovereignty, China has confronted new challenges to its military and economic security, now seen as built upon a scientific and technologically competitive edge. Therefore, civilian and military leaders share the same policy objective in placing high-technology development as the top national priority. This determination was strengthened further by NATO's bombing of the Chinese Embassy in Belgrade, Yugoslavia, in May 1999, and has won wide public support. In concrete terms, it has been decided that in the next few decades concentrated national efforts will be made to boost China's defence technology as quickly as possible. As a result, R&D and weapons programmes have increasingly focused on developing a military space network, fixed-energy and laser equipment, electronic weapons and super computers. Logically, this

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demands a continuing and sizeable increase in the military budget, for high-technology-driven military modernization is bound to be expensive. Indeed, more funds will be allocated to the R&D of high-technology weapons, including a new generation of nuclear and conventionally-armed missiles, aircraft, and naval vessels. One typical example is the quickened pace of production of China's new generation fighter-bomber, the FBC-1, nick-named *Flying Panther*, which entered series production at the end of 1998.[33]

Making Military Research Closer to New War Scenarios

One logical outcome of China's embracing of RMA is a major resequencing of the PLA's theoretical and applicable research priorities. In the past, PLA researchers were inclined to study the Army's war history. For instance, a large proportion of research projects in the PLA's Academy of Military Science was devoted to continuous evaluations of the Army's successful campaigns between 1927 and 1953. In 1993, Jiang Zemin instructed PLA research bodies to shift their research focus from the past to the present. More concretely, Jiang decided that more than 60 per cent of its research projects had to serve the PLA's immediate needs (for example, force restructuring and weapons programmes), practical war plans (such as specific force redeployment and employment against specific enemies), and likely military operations in the future (such as detailed theatre campaign objectives and protocols). Jiang emphasized the importance of research in the way in which men and weapons are related in the information age, especially in a situation where the PLA has to use low-technology hardware against high-technology opponents.[34]

Consequently, the PLA's research on major practical issues (*zhongda xianshi wenti*) and its theoretical exploration of RMA have been combined under a post-Deng high-technology military strategy. In recent years, the CMC has ordered the PLA to employ advanced means to improve its research on RMA. One important effort is to use computer simulation systems to enact major high-technology operations of the major powers in their recent limited wars. One specific research project is to study how to employ asymmetrical warfare against an overwhelmingly powerful enemy, such as concentrated use of conventional missiles against aircraft carrier battle groups. To make research and training more compatible with high-technology warfare, textbooks in military institutions have been completely rewritten in the last few years and, since 1993, a comprehensive training reform programme has been carried out to drill soldiers not only on techniques used in high-technology warfare but also how to fight specific high-technology enemies.

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Initiating Qualitative Force Restructuring

There is no doubt that Chinese civilian and military leaders have firmly accepted the central theme of RMA, that in the information age victory in war is predominantly dependent on the quality of technology rather than the quantity of men in uniform. With this consensus, the PLA has accelerated its efforts to build a qualitative military force by initiating large-scale force reductions. The Army was ordered to demobilize 500,000 men in 1997. Already, its size is the smallest since the founding of the PRC, but further cuts are likely to follow beyond this round. Sooner rather than later, total PLA strength will drop to below two million men. Meanwhile, the specialized services continue to enjoy priority in modernization. Great efforts have been made to strengthen the second strike nuclear deterrent capability, to create offensive air power, and to develop a blue water navy.[35]

Concrete progress in restructuring has been made to match the PLA with the world trend in RMA, although progress is slow, to the point of annoying party leader Jiang Zemin. So far the most visible change in the top command structure is the establishment in 1998 of a General Equipment Department (GED) immediately under the CMC, with the same rank as the General Staff Department (GSD). This department has taken over the functions of weapons R&D, testing, acquisition, allocation, and related matters formerly assumed by the various top agencies in the PLA headquarters. For instance, it incorporated the Department of Equipment in the GSD, administrative and operational missions of the State Commission on Science, Technology and Industry for National Defence (COSTIND) under the State Council, including all military R&D projects and procurement agencies in the General Logistics Department.

The creation of this GED is significant in two ways. Firstly, it constitutes an effective measure to substantiate a high-technology defence strategy. Without sufficient sophisticated high-technology weaponry, the strategy will remain an empty shell. The new GED reflects the determination of the CMC to concentrate all its available resources to advance weapons R&D and to hasten the process of equipping combat units with the best hardware. Secondly, the department is also a concrete step in translating the theory of RMA into practical application. For instance, the GED will facilitate weapons R&D and acquisition in accordance with the requirements of combined arms warfare. One precondition for this is to rectify the current state of affairs in weapons development by different services, which can be summarized as unco-ordinated, having the effect of weakening the PLA's unified campaign capabilities. The GED will have power to

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oversee weapons programmes of all the services in order to make them suitable for combined arms warfare.

Over the past year, there has been renewed discussion about abolishing the seven military regions. In the early 1980s, the PLA high command had invited the top brass to debate on whether to replace all military regions with strategic front armies. For instance, the Shenyang Military Region would be restructured into the Northeast Front Army. The difference between the two was that the former was simultaneously an administrative agency and an operational command. This made the leadership structure unwieldy. Instructions from the CMC had to go through several layers to reach the designated units. In comparison, the Northeast Front Army would merely be an operational command, administratively placed under the CMC. Another advantage of the reform was to uproot the intimate connection between the PLA regional command and the local government. However, the debate did not bring about any concrete results because of the resistance of the military regions. Later, the CMC abolished the attempted reform, saying simply that the conditions were not propitious.[36]

Since 1997 a new round of discussions on the same theme has been carried out among the PLA's leading agencies. This time the "conditions" seem right to many PLA analysts. To paraphrase one senior PLA researcher: the revolution in information technology changes with each passing day the battleground structure, operation modes and concepts of time and space, which dictates an overhaul of the traditional "centralized" and "tier-by-tier" administrative/command structure. It has also been proposed that the current seven military regions be substituted by five strategic war zones. There is merit to this reform. A simplified command structure between the central military authority and the basic campaign units (group of armies or divisions) has already been mentioned. The motivation is rooted in the need to initiate a thorough overhaul of the PLA's command structure to make it more suitable for IW. For instance, the war zone concept will guide the integration of all services under a unified command for combined operations. It will be interesting to see the outcome of this reform.[37]

Implementing New Campaign Tactics

Closely linked to the PLA's adaptation of an RMA-related national defence strategy is an effort to implement new campaign tactics. Lieutenant-General Hu Changfa, Deputy President of the PLA National Defence University, made the following summary at an all-armed-forces conference on campaign theory in late 1996:

> The changes in the international strategic environment and the wide application of high-tech in the military realm have posed an enormous

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> challenge to the PLA. Now we are facing new forms of warfare, new opponents in future wars, new campaign tactics and new patterns of engagement in campaigns. How to win the next war under hi-tech conditions is our primary task of study.[38]

To tackle this task, the PLA has identified the most likely forms of engagement in a high-technology campaign. According to General Hu, there are two basic forms. The first is mobile operations and the second is combined arms operations.[39] Mobile operations dictate a fundamental revision of the PLA's operational doctrine centred on positional warfare, and promotes a kind of non-frontline defence. The PLA has realized that frontline defence belongs to the era of rifles, guns and tanks — or short-range engagement. Non-line defence represents the future, requiring long-range mobility and stifling attacks at the enemy's rear with precision-guided missiles and electronic warfare. Inevitably, campaign operations have to be supported by satellite guidance and multi-dimensional strike capabilities.[40]

Therefore, the essence of mobile operations is offensive-oriented in nature (*gongshi zuozhan*) which will be the main form of the PLA's engagement with adversaries.[41] To PLA theoreticians, mobile operations are seen as key components of a campaign in the information age. High-technology limited wars are characterized by non-fixed, battlefield campaigns, fast change in operation formats, and little distinction between frontline and defence depth. Only through mobile operations will the PLA take the initiative in war. Mobile operations are also required by China's strategic landscape. In future campaigns, the PLA may be confronted with the mission of operating in multiple strategic directions and over a vast space. It has to move very rapidly in order to establish superiority territorially, in terms of manpower and hardware.

Another dimension of the PLA's new campaign tactics is combined arms operations, which is now seen as reflecting the nature of IW. In the past, "combined" referred to the employment of different services (*junzhong*) within the Army, such as units of tank, artillery, anti-chemical warfare, engineering, telecommunications, and others to execute a ground campaign. Specialized services, such as the navy, the air force, and the missile forces were, however, given only a minor role. This campaign strategy was in line with the level of China's overall military technology as the specialized services were far behind in hardware development. Now the PLA high command believes that the time has come for the rectification of flaws in both campaign theory and typology. The specialized services have made progress in both theoretical guidance and hardware upgrading, making them more capable of supporting broad-based inter-service combined arms operations. In IW, the status of specialized services has risen to parallel

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the ground forces. More importantly, fighting with potential opponents requires the crucial participation of the specialized services.

Conclusion

There is no doubt that RMA has inspired the PLA to formulate its long-term modernization guidelines to meet the new rules of the military game. To the PLA, RMA is the world standard and development trend for a powerful military, and it cannot afford to ignore this. Indeed, the fact that China has little capability to cope with an RMA-type of conflict has stimulated the PLA to study RMA and to apply, where it can, its principles. To the Chinese leadership, the danger of RMA being applied against China does not lie in its effect of mass destruction in military terms but its political consequences in undermining the country's social stability and government. In the next few decades, PLA watchers will see continuing reforms within the Chinese armed forces along the lines of RMA. The PLA's C^3I systems will gradually be streamlined and digitized. Its force size will be significantly trimmed and force components restructured to allow more space for new specialized services to emerge. Military R&D programmes will give greater emphasis to the development of new concept weapons. National defence strategy, campaign tactics, and combat principles of different services will be under constant review to guide the PLA to follow the latest innovations of the major military powers. In short, the PLA will gradually become more open, flexible and forward-looking. As a result, it will become more professional and high-technology-oriented.

To the PLA, rectifying doctrinal defects is more important than the immediate possession of modern combat hardware in its long-term modernization drive. Embracing RMA and trying to put it into practice may have set the PLA in the right direction. However, adopting a correct strategic guideline does not guarantee the PLA success in transforming itself eventually into a world-class fighting force. Although the Chinese can copy American thoughts, whether they can also embrace RMA successfully is not at all obvious.[42] If the Soviets' failure in their technological race with the United States tells us anything, it is that a closed socio-political system may stifle the imagination of scientists and doom the long-term potential of a nation. Therefore, the biggest challenge to China's search for major power status may not be the current backwardness of its technology but the rigidness of its process of governance.

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8. See, for instance, Liu Yicang, *Gaojishu zhanzheng lun* [On Hi-Tech War] (Beijing: Junshi Kexue Chubanshe, 1993), chapter 4.
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20. Zhang Hui, op. cit., p. 67.
21. See the media coverage after NATO's bombing of the Chinese embassy.
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Paradigms Lost: Japan's Asia Policy in a Time of Growing Chinese Power

CHRISTOPHER B. JOHNSTONE

China's rise is forcing a reassessment of Japan's post-Cold War Asia policy. After 1985, a variety of factors pushed Tokyo to pursue closer ties with its regional neighbours. Deepening economic ties with the region, frustration with the dominance of American power, and fear of a weakening U.S. commitment to the region all pushed Japan in a new direction. In the early 1990s, Tokyo sought to expand its leadership profile in the region, and played a central role in the creation and development of Asia's regional institutions. By the middle of the decade, however, Chinese – as well as North Korean – actions had dampened Japanese enthusiasm for an Asia-centred foreign policy. Still, lingering frustration with U.S. dominance will prevent a complete return to the American fold. Japan will continue to pursue close ties with its Asian neighbours, but balancing Chinese influence will assume an ever-larger place in Tokyo's strategy.

Introduction

As the Cold War ended, the eyes of the world were turned towards Japan. After nearly four decades of remarkable economic growth, Japan had become one of the world's richest nations. Despite its growing wealth, however, Tokyo had developed little political influence of its own. Throughout the Cold War, domestic political forces and the close alliance with the United States had constrained Japan's diplomatic options. With the collapse of the Soviet Union, expectations grew that Japan would cast off these restraints and slowly emerge as a major — and more independent — force on the world stage.

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The natural focus of Japan's expanding political profile, it was thought, would be East Asia. Japanese trade and investment in the region had been expanding dramatically since the mid-1980s; it was only natural that political influence would follow. To many in the United States, this trend was worrisome. American observers warned that the alliance would be difficult to manage and maintain, with Tokyo focusing increased energy on closer ties with its neighbours.[1] Within U.S. defence circles, there was growing concern that support for the alliance in Japan was eroding. Others predicted the emergence of a tripolar world, with competing regional "superblocs" centred on the United States, Germany, and Japan.[2]

Nearly ten years later, these fears appear vastly overdrawn. Japan has not emerged as Asia's champion, although its political profile in world affairs continues to grow. Washington and Tokyo have taken impressive steps to *strengthen* their bilateral alliance, confounding analysts who had earlier predicted its demise. And although a united Europe — and its currency, the Euro — may ultimately present a threat to American economic pre-eminence, East Asia is anything but a unified "bloc" poised to compete for global supremacy.

The apparent demise of Japan's Asian ambitions can be traced to a number of internal factors: the Japanese economy's extended period of stagnation, which weakened Tokyo's credibility in the region; the domestic political turmoil that followed the collapse of Liberal Democratic Party rule in 1993, which forced Japan to turn inward; and the absence of effective leadership and vision at the top. Strategic variables were also of critical importance to Japanese decision-making. In the course of a few short years, the optimism that characterized Japanese views of East Asia's future, and of Japan's role in it, faded significantly. As a series of events rocked the region in the mid-1990s — ranging from the crisis surrounding North Korea's nuclear programme to China's military exercises in the Taiwan Strait — Japanese leaders began to reassess the promise of strengthened ties with East Asia. Growing doubts about long-term Chinese intentions in particular have forced Japan to recalculate its nascent Asia strategy and to place renewed emphasis on ties with the United States.

These trends do not imply that Tokyo will simply return to the patterns of Japanese foreign policy during the Cold War, however. As will be detailed below, the factors that led Tokyo to explore deeper ties with Asia continue to pull at the fabric of U.S.–Japan relations, and still pose long-term challenges for alliance managers. But with its immediate neighbourhood also less promising than previously thought, Japan is confronting a strategic reality to which it is unaccustomed.

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Since the Meiji Restoration, Japan has vacillated between policies that wholly embraced either Asia or the West, a choice that was largely seen as mutually exclusive.[3] In the early years of the twenty-first century, however, use of these paradigms will appear increasingly unattractive and unviable. Instead, Japan is likely to pursue a course that is not firmly aligned with *either* the West or Asia. In dealing with Southeast Asia in particular, Tokyo is likely to focus less on regional institution-building and multilateralism — the tools of choice earlier in this decade — than on the balance of power and other *realpolitik* approaches that more accurately reflect the region's strategic outlook. Balancing Chinese influence in Southeast Asia, and throughout the region, is certain to play an ever-larger role in Japanese policy in the Asia-Pacific.

What follows is an examination of Japan's brief attempt at leadership in Asia, followed by an assessment of the factors that have precipitated change in Japanese strategy towards the region. The article concludes by offering a series of predictions concerning Japanese policy in the region, with particular focus on how Japan's evolving strategy is likely to affect Southeast Asia.

The Asian Flirtation: 1985-93

Economic Catalyst

Japan's tilt towards Asia was fuelled firstly by economic forces. Following the Plaza Accord of 1985, the value of the yen increased dramatically, rising from about Y260 to the dollar to Y120 in only two years. This rapid appreciation placed extraordinary pressure on Japanese industry, eventually spurring a massive outflow of capital and industry in search of cheaper production sites overseas. Although much of Japanese foreign investment during this period was bound for North America — sparking fears in the United States that Japanese money would come to dominate the American economy — a significant volume flowed into Asia as well.

Between 1985 and 1990, annual flows of Japanese foreign direct investment (FDI) in Asia increased from US$1.4 billion to more than US$7 billion, and this figure continued to rise in the early 1990s.[4] Southeast Asia was a particular focus of Japanese investment activity, absorbing some 60 per cent of this total by 1990, although the figure began to slip in later years as China became an increasingly important venue for Japanese investors. The pace of new Japanese investment in the Asia-Pacific region slowed in the early 1990s as Japan's economy entered an extended period of stagnation, but FDI flows accelerated

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again until the onset of the Asian financial crisis in mid-1997 (see Table 1). While earlier forms of Japanese investment in Asia had focused primarily on natural resource extraction, the newer flows, particularly those to Southeast Asia, were increasingly in transport machinery, electronics, and other manufacturing industries. Indeed, by the early

TABLE 1
Japanese Direct Investment in Asia, FY 1985-98
(In US$)

Year	Volume (US$)	Percentage of Total Japanese FDI
1985	1,435	11.7
1990	7,054	12.4
1993	6,637	18.4
1995	12,361	24.0
1996	12,027	24.2
1997	12,355	22.6
1998	6,964	16.0

SOURCE: Ministry of Finance, Japan.

1990s, Japanese manufacturing firms were investing more in Asia than in North America.

Japanese trade with Asia expanded with these investment flows, both in absolute and relative terms. Japan's total trade (exports plus imports) with the region nearly doubled between 1985 and 1990, rising from about US$83 billion to more than US$156 billion; between 1990 and 1995, the figure doubled again. Asia's share of Japan's overall trade volume also expanded, rising from 27 per cent in 1985 to nearly 41 per cent a decade later (see Table 2). Southeast Asia's collective economy

TABLE 2
Japanese Trade with Asia, 1985-98
(In millions of US$)

Year	Total Trade (Exports + Imports)	Share of Total Japanese Trade
1985	82,881	27.2
1990	156,467	30.0
1993	218,080	36.3
1995	316,040	40.6
1996	312,053	41.0
1997	302,035	39.8
1998	259,573	35.7

SOURCE: Ministry of Finance, Japan.

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emerged as a major partner for Japan during this period, accounting for some 40 per cent of Japanese trade with Asia in 1990. By 1991, Japan had more trade with its Asian neighbours than with the United States, and maintained large and growing trade surpluses with most countries in the region.[5] The surplus peaked in 1995 at nearly US$60 billion before falling back to US$33 billion in 1998 in the wake of the financial crisis and Japan's own economic slowdown.

A further source of Japan's rapidly deepening economic relationship with Asia after 1985 was its massive foreign aid programme. Tokyo became the world's largest donor of official development assistance (ODA) in 1991, largely on the strength of the appreciating yen. The amount peaked in 1995 at more than US$14 billion, although the volume has since fallen somewhat in the wake of budget cuts and a depreciating currency. With nearly half of this aid bound for Asia — Indonesia and China traditionally have been the largest recipients of Japanese bilateral ODA — the programme represents an important source of capital for Asia. Japanese aid is estimated to have financed 46 per cent of Indonesia's hydroelectric power stations, for example, and 24 per cent of Malaysia's total electric power capacity.[6] When viewed in combination with the extensive lending to the region by the Export-Import Bank of Japan, the flows of official Japanese capital to Asia are even more impressive.

The "East Asian Miracle" Study

The expansion in Japan's trade and investment ties with Asia corresponded with, and contributed to, a period of remarkable economic growth throughout the region. It was also a time of great confidence in Tokyo. Many Japanese openly believed that their country had pioneered a new model of economic development, one in which industrial policy and other government actions played a critical role in spurring growth. At the same time, the United States was beset by the appearance of economic decline: large trade and budget deficits, eroding competitiveness in a number of key industries, and high crime rates and other social ills all weakened the international appeal of the American system. In the eyes of many Japanese — and not a few Americans — Japan had perfected a superior form of capitalism that was being emulated across East Asia. The words of Yasusuke Murakami are representative of many Japanese views at the time: "... the secret of Japan's success relates at least in part to non-Western organizational principles. Furthermore, the same phenomenon is occurring in Hong Kong, Singapore, South Korea, and Taiwan; what we seem to be witnessing is not simply a Japanese challenge but an Asian challenge,

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a development that cannot but call into question the very basis of the Pax Americana."[7]

Despite this apparent contrast between East Asian dynamism and Western decline, however, faith in free markets still held sway in Washington. Much to Tokyo's dismay, this economic orthodoxy also continued to dominate thinking in international financial institutions such as the International Monetary Fund and the World Bank.[8] Japanese officials were highly critical of the World Bank's 1991 *World Development Report*, for example, which downplayed the role of the state and emphasized the importance of market mechanisms in successful economic development strategies.[9]

In an effort to build support for its alternative development philosophy, and to expand its leadership profile, Japan sponsored a landmark World Bank study of East Asia's economic success in 1993, entitled *The East Asian Miracle: Economic Growth and Public Policy*. The study, which was performed by Bank staff, ultimately gave modest recognition to the role of industrial policy in East Asia's success, but did not offer an unambiguous endorsement of state action; indeed, to the disappointment of Japanese officials, the report emphasized that macroeconomic factors — such as high savings rates and private investment — were more important to the region's growth. But while Tokyo fell short of its goals in sponsoring the study, the experience nonetheless demonstrated Japan's growing desire for a larger leadership role in shaping the international economy — at the global level, through international financial institutions, and in East Asia in particular.

Political and Strategic Concerns

Although economic forces were clearly the catalyst behind Japan's tilt towards Asia, geopolitics and domestic political variables also played a critical role. Changes in Japan's external environment served to pull Japan towards closer ties with its neighbours; these forces were supported by voices inside Japan that sought to push the nation in a similar direction.

The framework that had guided Japanese foreign policy throughout the post-war period was fundamentally shaken by two almost simultaneous events: the end of the Cold War and the Persian Gulf War experience. The collapse of the Soviet Union ended the most obvious threat to Japanese security, and the most obvious rationale for the U.S.-Japan alliance. This development alone would likely have been sufficient to raise doubts in Japan about the more intrusive elements of the alliance, in particular the presence on Japanese soil of U.S. military bases and troops. The Gulf War served to further amplify this sentiment. Harsh

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American criticism of Tokyo's inability to contribute more than "check book diplomacy" to the war effort sparked deep resentment in Japan, and triggered a major crisis in U.S.–Japan relations.[10] Many Japanese felt that Tokyo's US$13 billion support for the campaign, as well as the constitutional constraints on further Japanese action, were not sufficiently appreciated in Western capitals.[11] This combination of geopolitical shifts and bilateral tensions began to have a corrosive effect on popular support for the alliance; according to a Japanese government survey, the percentage of Japanese who considered the U.S.–Japan alliance to be either "useful" or "rather useful" fell from 71 per cent in 1984 to 63 per cent in 1991.[12]

Changes in the international system in the early 1990s thus contributed to Japanese frustration with the lingering inequality of the U.S.–Japan alliance, and with Japan's inability to find its own voice on the international stage. At the same time, Tokyo grew increasingly concerned that American commitment to the bilateral alliance and Japanese security was waning.[13] From a Japanese perspective, there appeared ample evidence of an American turn inwards. The U.S. forward-deployed troop presence in Asia steadily declined as the Cold War faded, falling from 141,000 in 1988 to 98,000 in 1992;[14] further reductions were halted only after concern over North Korea's clandestine nuclear programme intensified in 1994. Washington's push to expand the 1989 U.S.–Canada Free Trade Agreement to include Mexico — a process finally completed in 1993 with U.S. congressional approval of the North American Free Trade Agreement (NAFTA) — raised concerns in Japan and across Asia that North America would become a protectionist trade bloc patterned on the European Union.[15]

Japanese confidence in the U.S. commitment to the bilateral relationship was further shaken by the increasingly acrimonious trade disputes that characterized the Bush and first Clinton administrations. The two governments tussled over products ranging from semiconductors to apples, and the character of U.S. demands — in some cases, Washington essentially pressed for specific market-share guarantees — contributed to the perception in Japan that inferior American goods required preferential treatment in order to compete.[16] Trade disputes in U.S.–Japan relations were nothing new, of course; the growing tendency of these issues to dominate the bilateral agenda, however, was arguably unprecedented.

Indeed, the longstanding separation of economic and security issues in U.S.–Japan relations was becoming impossible to maintain. Japan's effort to develop an autonomous jet fighter in the late 1980s is the best example of the blurring line: the initiative sparked a bitter dispute with the Pentagon, which sought a joint development arrangement that

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would provide both workshare and access to Japanese technology for American defence contractors.[17] Although the dispute was eventually resolved, the experience demonstrated to Tokyo that the security alliance was not immune to bilateral tensions, and left a residue of mutual distrust.

In sum, to many in Tokyo, the strength of American commitments — whether to the alliance or to the global trading system — appeared increasingly open to question. This conclusion is borne out by public opinion polls: between 1990 and 1995, the proportion of Japanese surveyed who described the United States as "reliable" fell from 56 per cent to 38 per cent.[18]

Growing "Asianist" Voices

As economic forces increasingly pulled Japan towards Asia, and as a variety of factors spurred a reassessment of ties with the United States, intellectual voices from across the Japanese political spectrum began to call for a greater policy focus on East Asia. The most prominent arguments carried a decidedly anti-American flavour, thereby continuing the Japanese tradition of viewing ties with West and East in mutually exclusive terms. The famous nationalist Shintaro Ishihara, for example — a former Diet member and now mayor of Tokyo — was quoted in a 1989 *Time* magazine interview as saying, "Japan's franchise is Asia. I think Japan should assume greater responsibility than the U.S. or Europe in the development of the Asian region."[19] In 1992, Ishihara authored a book with Malaysian Prime Minister Mahathir Mohamad, entitled *'No' to ieru Ajia* [The Asia That Can Say 'No'].[20] The authors urged Japan to embrace its Asian neighbours and become more assertive in dealing with the United States. In particular, Ishihara argued that Japan should become the flag-bearer of Asian interests in international groupings such as the G-7 (group of 7 industrialized countries).

Other arguments were somewhat more moderate and came from the mainstream political establishment. Kazuo Ogura, a senior Foreign Ministry official who is now ambassador to South Korea, argued in 1993 that Japan and Asia should develop a "theory of Asian capitalism". Asia, he argued, should set up learning centres that would counter Western thinking and bring about an "Asian restoration."[21] Yoichi Funabashi, a columnist at the left-leaning *Asahi Shimbun*, wrote in 1993 of an emerging "cohesive Asian worldview" — one which Japan played a central role in shaping. He argued that a growing consensus in Asia on the "eventual disengagement of the U.S. military from the region" had helped to generate a "widespread belief that Asia can solve its problems not only in the economic realm but also in politics and security."[22]

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Elsewhere Funabashi wrote that "[a]n 'Asianist' wave has engulfed Japan", a trend which he argued was "inherently driven by psychic yearnings for it to dissociate itself from the United States."[23] In contrast to other writers at the time, Funabashi argued that Japan need not turn away from the United States in embracing closer ties with Asia, and noted the emergence of more nuanced voices who argued that Japan should maintain close ties with both the West and East. Still, he argued, "Asianist drives [in Japan] will continue to take on tones of dissociating from the United States."[24]

Funabashi's views were representative of the widespread optimism about Asia's future that characterized Japanese thinking at the time: East Asia's apparently endless economic growth, deepening interdependence, and emerging sense of community would serve to mitigate existing sources of tension. With time, it was thought, the more troubling elements of East Asia's strategic environment — such as lingering territorial disputes, historical suspicions, and China's growing power — could be overcome.[25] Faith in Asia's promise, in essence, was getting ahead of reality.

Emerging Regional Leadership

For Japan, the strength of economic, strategic, and intellectual forces pushing it towards Asia was increasingly obvious. Translating those forces into a mandate for regional leadership, however, was a different question altogether. Sensitive to the enduring legacy of World War II, and in general inexperienced with international leadership after fifty years in America's shadow, Japan moved only with hesitation to assume a higher political profile in Asia. Still, while modest, the trends in Japanese policy in the early 1990s are unmistakable.

The focus of Japan's nascent leadership efforts during this period was twofold. First, Tokyo actively supported the development of multilateral institutions in Asia, believing that this approach to building influence would be more acceptable to a region still suspicious of Japanese power. Secondly, Japan dedicated particular attention to strengthening ties with Southeast Asia, which was seen in Tokyo as more receptive to — or at least less suspicious of — Japanese leadership than its neighbours in Northeast Asia.[26] Indeed, by some accounts ASEAN emerged during this period as a partner of almost equal importance to Japan as the United States and China.[27]

Not surprisingly, Japan's first foray into regional leadership was in the economic arena. Japan played a central role in the creation of the Asia-Pacific Economic Co-operation (APEC) forum in 1989. Formed

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in part as a reaction to NAFTA and growing protectionism in Europe, APEC was originally an Australian initiative that received active Japanese support behind the scenes. Indeed, Tokyo encouraged Canberra to take the lead in the forum's early years because it feared that a Japanese initiative would be less welcome in the region. From the outset, Japan and Australia gave special attention to cultivating Southeast Asian support for the new forum, promising that ASEAN would form APEC's "core." The APEC Secretariat was located in Singapore, and forum members agreed that an ASEAN member would chair the forum's annual conference every other year. To further please Southeast Asia, Japan insisted on broadening APEC's scope to include an active economic development agenda, one of three "legs" to the forum's mission enshrined at Bogor, Indonesia, in 1994; this stance frequently placed Tokyo at odds with Western members, who preferred a strict focus on trade and investment liberalization. As APEC expanded in size and took on an ambitious agenda in the early 1990s, Japan's footprint was clearly visible.[28]

Tokyo also took steps — albeit cautiously — to lead in the political and security arena as well. In a speech in Kuala Lumpur in 1991, Foreign Minister Taro Nakayama proposed that ASEAN's annual Post Ministerial Conference (PMC) be institutionalized as a mechanism for addressing regional security concerns; formalizing the PMC meetings, he argued, would institute a "process of political discussions designed to improve the sense of security among [Asian countries]."[29] Although his proposal received only a lukewarm response, the 1992 PMC meeting in Manila included political and security issues for the first time. Building on this momentum, in a January 1993 speech in Bangkok, Prime Minister Kiichi Miyazawa called upon the region to "develop a long-term vision regarding the future order of peace and security ... For this, various ideas should be thrashed out through political and security dialogue... Japan will actively take part in such discussions."[30] In August 1994, the ASEAN Regional Forum (ARF), Asia's first institution created solely to address security concerns, held its inaugural meeting. Although Japan was certainly not the sole force behind the ARF's creation, Tokyo's initiative lent important support to Asia's emerging regionalism.

Of greater significance, however, was Japan's participation in the United Nations peacekeeping effort in Cambodia. The Gulf War experience had triggered a reassessment in Japan of the constitutional constraints on Japanese military activity overseas. The result of this reassessment was a 1992 law — passed after protracted Diet debate — permitting the use of Japan's Self-Defense Forces (SDF) in United Nations operations abroad. The new legislation placed strict limits on

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the functions that the SDF personnel could fulfill — essentially confining Japan's role to logistical and humanitarian support — but it nevertheless represented a landmark step forward in Tokyo's post-war foreign policy. Tokyo then dispatched an engineering battalion of 600 troops to Cambodia, together with some ceasefire monitors and civilian police. The effort served as an ideal opportunity to strengthen ties with ASEAN. Since the announcement of the "Fukuda doctrine" in 1977, Japan had sought to play a role in facilitating peaceful coexistence between ASEAN and Indochina. Finally, as part of the United Nations effort in Cambodia, it had succeeded in doing so.

Other evidence of Japan's growing interest in Asian regionalism during this period abounds. In 1994 Prime Minister Morihiro Hosokawa commissioned a study to examine the future of Japanese defence policy; in a document dubbed the Higuchi report — named after the commission's chairman, Hirotaro Higuchi — the panel urged Japan to move towards a "multilateral security strategy", including greater emphasis on regional security dialogue. Similarly, the Japanese foreign ministry's diplomatic "bluebooks" during this period gave considerable attention to multilateral and regional forms of co-operation in addressing challenges to security.[31]

These trends were not lost on alliance managers in Washington, who began to worry about the apparent shift in Japanese strategic thinking. One Defense Department study drafted in 1995 commented: "In the 1980s, the best and the brightest Japanese bureaucrats worked on the alliance with the US; in the mid-1990s, they work on Asian affairs, peacekeeping, or planning a 'well-balanced' (rather than complementary) military force structure. Momentum and energy in Japanese policy planning are flowing away from the alliance."[32]

Japan's tilt towards Asia during this period should not be overstated. Few mainstream voices called for any radical change to Japanese foreign policy; there was no credible movement to reconsider the U.S.–Japan alliance, for example. Despite its growing interest in Asia, Tokyo refused to endorse exclusive conceptions of the region. Much to Dr Mahathir's chagrin, Tokyo rejected Malaysia's proposal for an East Asia Economic Caucus that would have explicitly excluded Western participation. Similarly, Japan insisted that APEC include North American membership, despite Australian efforts to exclude the United States from the forum when it was first established. And for all the talk of Japan's emerging "Asianism", popular sentiment towards the region remained decidedly mixed throughout the early 1990s. Opinion surveys during this period showed a general decline in Japanese affinity for the United States; at the same time, however, the surveys indicated no corresponding increase in affinity for Asia.[33] Nevertheless, although still in its

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early stages, at the élite, policy-making levels in Tokyo, a gradual shift in focus towards Asia was clearly under way.

Reality Bites: 1994-?

In the mid-1990s, Japan's Asian ambitions began to come apart, the victim of strategic realities that had been optimistically overlooked. A seemingly endless series of events during this period served to remind Tokyo that Asia's future was not necessarily as promising as previously thought, and that close relations with the United States, however uncomfortable at times, remained critical. Although a number of variables contributed to this reassessment of strategy, increasing apprehension about Chinese intentions was at the heart of Japan's shifting world-view.

North Korea

The first challenge to Tokyo's emerging Asia strategy was the 1994 crisis over North Korea's secret nuclear weapons programme. The confrontation came on the heels of Pyongyang's May 1993 test of a ballistic missile that had the range to strike most of Japan's main islands, an event which alone had sparked an outcry in Japan. Although Tokyo was a bystander during much of the showdown, North Korea's proximity ensured that Japan would be engulfed in any armed conflict. Indeed, as the crisis intensified, Washington sought commitments from Tokyo to provide support for an embargo on North Korea; Japan hesitated in the face of legal constraints and the knowledge that implementation of the embargo would constitute an act of war. Although the crisis was ultimately resolved peacefully, Pyongyang's actions — and subsequent steps, such as the August 1998 test of a more advanced missile that overflew northern Japan — precipitated a re-evaluation of Japanese security policy that continues even today.

China

More significant than North Korean provocations, however, were apparently ominous developments in China. Beijing's nuclear tests in 1995 and 1996 prompted Tokyo to suspend a portion of its overseas development assistance (ODA) to China; the step was unprecedented in relations with Beijing, which had come to view Japanese aid as war reparations under a different name. Chinese missile tests and military exercises in the Taiwan Strait in March 1996 further riled Tokyo, and generated increasing sympathy for the democratic — and

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openly pro-Japanese — government of President Lee Teng-hui. The re-emergence in 1996 of the dispute over the Senkaku/Diaoyu islands in the East China Sea also rocked bilateral ties; many Japanese were particularly shocked by the outbreak of popular protests against Japan in Hong Kong and Taiwan.

These events, which came in the context of a broader international debate about Beijing's long-term intentions, contributed to a reassessment of China policy in Tokyo. Since Tokyo and Beijing normalized relations in 1972, Japanese policy had been guided by the liberal assumption that a prosperous China would act in ways consonant with Japanese interests. Japan, therefore, developed a comprehensive engagement strategy towards Beijing, working — through its ODA programme and other forms of official support for trade and investment — to promote Chinese economic growth and to integrate China into the international community. The increasing tensions in Sino-Japanese relations in the mid-1990s, however, began to cast doubts on the assumptions underlying this strategy.[34] In response, Japanese views of China began to harden. Japanese public opinion surveys clearly demonstrated the changing sentiment: more than half of the respondents to an October 1997 poll indicated "unfriendly" or "somewhat unfriendly" sentiments towards China — far higher than the levels that had prevailed at the beginning of the decade.[35]

Elements of competition and rivalry have begun to emerge in Sino-Japanese relations. During the early stages of Asia's financial crisis, Japan proposed the creation of a US$100 billion Asian Monetary Fund (AMF) intended to help regional economies weather future currency crises, an initiative that much of Southeast Asia immediately embraced. The proposal was ultimately unsuccessful, however, primarily because of U.S. opposition.[36] Beijing also rejected the AMF proposal, a clear indication that China was prepared to blunt Japanese efforts to exert regional leadership. Similarly, Beijing quietly rejected a Japanese proposal in 1998 for a four-power security summit, to include China, Japan, Russia, and the United States.[37] To Tokyo, the message from these and other events was clear: Japan's strategy of increasing its influence in Asia by supporting the development of regional institutions and other multilateral mechanisms was likely to encounter Chinese opposition, and therefore fail.

The trends at work in Japan–China relations should not be exaggerated. Realist assumptions may have begun to undercut the liberal framework that has guided Japanese views of Beijing, but China policy itself remains largely unchanged. Japanese ODA to China continues at historically high levels, for example, and other forms of engagement with Beijing continue essentially uninterrupted. Indeed, the array of

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common interests and challenges that Tokyo and Beijing face as close geographic neighbours will constrain Japan's realist tilt and may even lead Japanese leaders to pursue accommodation over confrontation.[38] Nevertheless, increasing tension in Sino-Japanese ties have clearly dampened enthusiasm in Tokyo for an Asia-centred foreign policy.

Reaffirming the Alliance

In the wake of these events, Tokyo and Washington moved with striking speed to shore up the bilateral alliance. In 1995, the Pentagon and the Japan Defense Agency began the so-called Nye initiative (named after Assistant Secretary of Defense Joseph Nye), which sought to strengthen the alliance through quiet dialogue at the working level. Concern about Japan's inability to provide clear commitments of support during a Korean conflict prompted the initiative. In April 1996, just weeks after the crisis in the Taiwan Strait, President Clinton and Prime Minister Ryutaro Hashimoto issued a joint declaration which "reaffirmed that the Japan–U.S. security relationship ... remains the cornerstone for achieving common security objectives, and for maintaining a stable and prosperous environment for the Asia-Pacific region as we enter the 21st century."[39]

The statement went on to describe the alliance as the "foundation" of bilateral efforts to promote regional peace and stability, an announcement that represented a significant expansion in the stated role of the U.S.–Japan relationship. A subsequent year-long review of the guidelines governing bilateral defence co-operation culminated in agreement on the specific forms of support Tokyo could provide to American forces during a crisis "in the areas surrounding Japan." In the space of two years, the U.S.–Japan alliance had gone from a state of erosion to the broadest and deepest levels of defence co-operation in its fifty-year history. The pendulum of Japanese foreign policy, it seemed, was swinging back towards the United States.

In concert with Tokyo's renewed emphasis on ties with Washington, Japanese enthusiasm for Asian multilateralism appeared to ebb. By the mid-1990s, Japan was less a leader in APEC than an obstacle to the forum's success; Tokyo's refusal to endorse the inclusion of heavily protected sectors such as agriculture in the APEC liberalization agenda was weakening the organization even before the onset of the financial crisis. Japan's commitment to the ARF similarly waned in the face of slow progress and a growing perception that the forum was too narrowly focused on Southeast Asian security concerns. Although Tokyo continues to laud the importance of both regional institutions, official policy statements illustrate the shift in emphasis: in the 1998 issue

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of Japan's diplomatic "bluebook", discussion of the role of regional co-operation in improving Asia's security environment was buried behind lengthy analysis of Japan's bilateral relationships with the United States and Northeast Asia's major powers.

The Search for Strategy

The collapse of Japan's post-Cold War Asia strategy does not imply a return to the framework that guided Japanese foreign policy in the past. Indeed, many of the factors that pushed and pulled Japan towards its neighbours remain very much in place. Despite the apparent strengthening of the military alliance with Washington, Japanese wariness towards the United States continues, and bilateral relations remain subject to frequent, severe strain. Most recently, the two governments were sharply at odds over the most effective way to respond to Asia's economic crisis. Tokyo argued that its commitment to regional recovery was amply demonstrated by the US$80 billion in assistance it provided to affected economies. Washington was unimpressed, however, and sharply criticized Japan for failing to help Asia by generating domestic economic growth and absorbing the region's exports.[40] By some accounts, U.S.–Japan relations during the financial crisis fell to their worst level in the post-war period.

The security relationship has been at times no less troubled. Latent Japanese fears of American neglect and abandonment were aggravated by President Clinton's decision to visit Beijing in 1998 without a stop in Tokyo. These feelings were amplified by Washington's response to North Korea's August 1998 missile test, which many in Tokyo charged was insufficiently attentive to Japanese security interests.[41] The incident spurred Tokyo to announce that it would develop an indigenous reconnaissance satellite network, as part of a broader effort to reduce Japanese reliance on American intelligence assets. Indeed, while the significance of the missile test should not be overstated, North Korean actions appear to have crystallized a sense in Japan that the alliance with the United States alone cannot adequately protect Japanese security interests. Relations between the two allies have since improved, but the pattern of recurring tension has a corrosive effect on the relationship and will prevent a complete Japanese return to the American fold.

Nor will Japan simply abandon the effort to strengthen ties with its Asian neighbours. The AMF proposal — which, although never fully defined, was striking in its boldness — illustrates that the impulse to pursue a larger leadership role in Asia remains alive in Tokyo. The intellectual voices who were behind Japan's renewed interest in the region similarly remain active: Kazuo Ogura, for example, argues even

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today, "Asia must act in a unified way and ... Japan must shoulder a large part of the leadership needed to achieve that.... It is necessary for a united Asia, along with Western Europe, to be prepared to check America."[42] In his successful 1999 campaign for the governorship of Tokyo, Shintaro Ishihara called on Washington to return Yokota Air Force Base — and in the process questioned whether regional tensions justified a continued U.S. military presence in Japan.

Still, Asia's uncertain strategic environment — and rising Chinese power in particular — are forcing change in the objectives and tools of Japan's foreign policy. Tokyo's post-Cold War tilt towards Asia was fuelled essentially by two aims: first, the desire to use the region as a foundation for pursuing global leadership and influence; and secondly, to hedge against the decline of American commitment to Asia, and to Japanese security in particular. These objectives remain largely in place, although the ambitions behind the first have been scaled back considerably. In the years ahead, however, a third goal will figure prominently in the mix: balancing and containing Chinese influence in the region. Japanese policy will inevitably become a mix of the "Asianism" of the post-Cold War period and American-centred approaches of the past: in sum, Japan will strive for greater policy autonomy, but not complete independence.

Implications for Southeast Asia

China's growing prominence in Japan's foreign policy calculus has a number of implications for Asia, and for Southeast Asia in particular. First, Japanese support for regional institutions and multilateralism is likely to be more cautious and tentative. Japanese strategy in the early part of the decade centred on building influence through Asia's emerging institutions, particularly APEC and the ARF; China's growing power, and its apparent intent to oppose Japanese leadership initiatives in the region, make this approach less viable. Japan will not abandon participation in the region's various multilateral forums, of course; such mechanisms serve a number of Japanese objectives, and still provide a valuable platform for communicating Tokyo's views to the region. Furthermore, regional institutions can be a useful means of constraining Chinese power, although Japanese officials increasingly recognize that multilateral tools are likely to be only marginally effective in this regard.[43] Asian multilateralism, which to date has been centred primarily on ASEAN, will likely have to proceed with at best uncertain Chinese and Japanese support.

To the extent that Tokyo remains committed to multilateral mechanisms in Asia, Japanese initiatives will centre on Northeast Asia.

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As noted above, Japan called for a four-power security summit in 1998; similarly, Prime Minister Keizo Obuchi has proposed that the Four Party peace process on the Korean Peninsula be expanded to include Japan and Russia. These initiatives are unlikely to be successful, however; China killed the former, and for the moment there is little interest in expanding the Four Party talks beyond the current participants.

A second implication follows from the first. As Tokyo moves away from multilateralism in Asia, it will increasingly pursue a balance of power approach centred on strengthening ties with countries along China's periphery. In the past two years, Japan has significantly improved relations with South Korea, Russia, and the countries of Central Asia — all as part of the Hashimoto government's "Eurasian Diplomacy." Tokyo has also devoted significant energy to deepening political ties with ASEAN, albeit with mixed results. In a January 1997 trip through Southeast Asia, then Prime Minister Hashimoto proposed that Japan and ASEAN hold regular summits to discuss political and security issues. Regional governments responded coolly to the so-called Hashimoto Doctrine, in part out of concern for China's possible reaction to the proposal. But Japan's interest in establishing a mechanism for dialogue on these issues, outside the ARF and ASEAN PMC structure, is revealing. Since that time, Tokyo has returned to stressing economic tools in its relationship with Southeast Asia, and commercial objectives will continue to figure prominently in Japan's approach to the region. Nevertheless, the aim of encircling China with a network of countries friendly to Tokyo remains unchanged.

Thirdly, as part of its attempts to gain the upper hand in Asia's emerging rivalry, Tokyo is likely to renew efforts to demonstrate Japanese economic primacy in Asia. Japanese officials were shocked by the contrasting American attitudes towards Chinese and Japanese economic management during the financial crisis: even as Washington denounced Japan's failure to implement domestic reforms, President Clinton publicly praised Beijing for its refusal to devalue the *renminbi*. Tokyo was also irritated by the plaudits China won for its US$1 billion contribution to the IMF bail-out packages for Indonesia and Thailand, to which Japan contributed US$5 billion and US$4 billion, respectively. The massive size of Japanese assistance to the region during the crisis — some US$80 billion, dispensed both bilaterally and through the IMF — served as a powerful reminder that, despite rapid Chinese economic growth, Japan remains Asia's sole economic superpower.

As it had in the past, Tokyo will continue to rely heavily on economic tools to build influence in the region. Indeed, the most recent Foreign Ministry medium-term ODA plan calls explicitly for aid to

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be concentrated on furthering Japanese interests in Asia.[44] The Asian financial crisis ironically provided a convenient excuse for Tokyo to refocus resources in its own backyard; prior to the crisis, Japan had faced international criticism for giving the majority of its ODA to a region far more prosperous than other parts of the world, and was working to diversify aid recipients. Southeast Asia, therefore, stands to benefit from the emerging Sino–Japanese rivalry in Asia: the region can look forward to large aid flows from Tokyo in the years ahead.

There are limits to the effectiveness of this strategy, however. Indeed, in the future Tokyo may find its traditional approach to exerting influence in Asia increasingly difficult to maintain. Japan's worsening fiscal condition, combined with an aging population that over time will strain the nation's health and welfare system, will eventually force spending cuts and a reallocation of resources away from the aid programme and other forms of Japanese commercial diplomacy in Asia. Furthermore, the struggles of corporate Japan have translated into a significant decline in new Japanese investments in Southeast Asia; indeed, many Japanese banks and manufacturing firms are scaling back operations in the region.[45] These trends will slow somewhat as Japan's — and Asia's — economies recover. Nevertheless, the overall message is clear: Japan remains Asia's largest economy by far, but its dominance is not what it used to be. Tokyo will therefore over time be forced to develop other means of building and exercising influence in the region — utilizing political, diplomatic, and perhaps military instruments — even as it continues to emphasize more traditional economic tools.

Finally, Japan's alliance with the United States will remain firm, and likely to deepen, at least on the surface. The mutual security treaty remains for Tokyo a critical tool of deterrence in Northeast Asia, against both the immediate threat of North Korean aggression and the long-term uncertainty of Chinese intentions. Japanese policy-makers also fully understand that the alliance ironically gives Tokyo more freedom to pursue objectives in Asia; Japan's close ties to the United States allay fears in Asia of renewed Japanese militarism, in turn allowing Tokyo to assume a larger profile in the region.[46] With Washington increasingly interested in having Japan carry a larger share of the alliance burden — as evidenced by the defence guidelines process — the security relationship also provides perfect cover at home and abroad for the slow normalization of Japanese military power. Tokyo remains wary of Washington and the durability of American power, but Japanese officials recognize that an autonomous Japan would be, at least for now, less secure than one firmly tied to the United States, and that Japan may be better able to achieve its objectives within the alliance.[47]

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Southeast Asia therefore has little reason to fear that Japan will become an independent military power in the near future.

It is important not to overstate the emerging rivalry between Japan and China. The two countries are not headed for inevitable conflict; indeed, Sino–Japanese relations are characterized by a complex mix of co-operation and competition. Nor is a military confrontation between Tokyo and Beijing conceivable in the short- to medium-term. In fact, despite China's high-profile efforts to modernize its military forces, Japan has actually *cut* its defence budget in each of the last two years. For the time being, Sino–Japanese rivalry in Asia will be largely limited to the economic and political arenas, but the impact on Southeast Asia will be significant none the less.

NOTES

The views expressed in this article are the author's own and do not necessarily reflect those of the United States Government.

1. See, for example, Kenneth P. Pyle, *The Japanese Question: Power and Purpose in a New Era* (Washington: AEI Press, 1992), pp. 131-46.
2. Jeffrey E. Garten, *A Cold Peace: America, Japan, Germany, and the Struggle for Supremacy* (New York: Times Books, 1992).
3. On this point see, for example, Yoichi Funabashi, *Asia Pacific Fusion: Japan's Role in APEC* (Washington, D.C.: Institute for International Economics, 1995), pp. 223-35.
4. These figures, compiled by Japan's Ministry of Finance, are based on notifications from investing firms and are thus thought to somewhat overstate actual levels of investment. Nevertheless, they serve as a useful barometer of trends in Japanese FDI flows.
5. China and Indonesia are notable exceptions to this pattern. Japan imports a large volume of raw materials from both countries.
6. Overseas Economic Cooperation Fund, *Annual Report 1997* (Tokyo: OECF, Japan, 1997), p. 240.
7. Yasusuke Murakami, "The Debt Comes Due for Mass Higher Education," *Japan Echo* 15, no. 3 (Autumn 1988): 71-80. Quoted in Pyle, op. cit., p. 139.
8. Michael Green describes Japan's growing frustration with the dominance of free-market ideology in the IMF and World Bank, beginning in the late 1980s. Although Japan held the number-two post at the World Bank, Japanese officials were largely unable to influence Bank policies. See Michael J. Green, "Japan and the International Financial System: Lessons from the Asian Monetary Crisis," in *Reluctant Realism: Japanese Foreign Policy in an Era of Uncertain Power* (Council on Foreign Relations, forthcoming)
9. Eric Altbach, "The Asian Monetary Fund Proposal: A Case Study of Japanese Regional Leadership," *JEI Report* No. 47A (19 December 1997), p. 7.
10. At one point, the U.S. House of Representatives, reacting to Tokyo's early reluctance to increase its financial contribution to the war effort, voted to begin withdrawing 5,000 American troops annually from Japan unless it agreed to pay all of the costs associated with stationing forces there. See Pyle, op. cit., p. 128.

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11. American criticism of Japan's contribution to the war effort was limited to the Congress and the media, and did not extend to the President. The White House was publicly sympathetic to the constitutional limits on Japanese action.
12. Cited in Norman D. Levin, "Prospects for U.S.-Japanese Security Cooperation," in Danny Unger and Paul Blackburn, eds., *Japan's Emerging Global Role* (Boulder, Colorado: Lynne Rienner Publishers, Inc., 1993), p. 79.
13. At first glance, these two strands of Japanese thinking about the alliance – frustration with Tokyo's inability to get out from under American power on the one hand, and concern about eroding American commitment on the other – may appear contradictory. In fact, they represent just one example of a pattern that has characterized Japanese foreign policy for much of the post-war period: the delicate effort to avoid entrapment in American wars and conflicts, while at the same time preventing American abandonment of the alliance. For an exploration of Japan's abandonment-versus-entrapment dilemma through the lens of Japanese defence industrial policy, see Michael J. Green, *Arming Japan: Defense Production, Alliance Politics, and the Postwar Search for Autonomy* (New York: Columbia University Press, 1995).
14. National Defense University, Institute for National Strategic Studies, *Strategic Assessment 1996: Instruments of U.S. Power* (Washington: National Defense University Press, 1996), p. 114.
15. Funabashi, op. cit., p. 68.
16. The merits of American complaints concerning Japanese trade practices are beyond the scope of this article. The substance of Washington's positions in these disputes is less important than the fact, in the eyes of many Japanese, that the United States appeared increasingly to emphasize trade issues while neglecting the security relationship.
17. For a detailed account of the FSX dispute, see Green, *Arming Japan*, pp. 86-107.
18. For a review of Japanese public opinion trends during this period, see Christopher B. Johnstone, "Go West or Look East? Japanese Views of America and Asia," *JEI Report*, No. 21A, 7 June 1996.
19. *Time*, 20 November 1989, p. 82. Quoted in Pyle, op. cit., p. 138.
20. This book was in some ways a sequel to Ishihara's 1989 best-seller, *'No' to ieru Nihon* [The Japan That Can Say 'No'], which argued that Japan was sacrificing its national interests by not resisting U.S. pressure on a variety of issues.
21. Kazuo Ogura, "'Ajia no fukken' no tame ni," *Chuo Koron*, July 1993; translated as "A Call for a New Concept of Asia", *Japan Echo* 20, no. 3 (Autumn 1993): 37-44.
22. Yoichi Funabashi, "The Asianization of Asia," *Foreign Affairs*, November/December 1993.
23. Yoichi Funabashi, *Asia Pacific Fusion*, pp. 223-25.
24. Ibid., p. 225.
25. To be fair, Funabashi did warn about the "possibility of geopolitical struggles" between the region's major powers, and cautioned that Asia's growing sense of community was by no means an unstoppable trend. See Funabashi, "The Asianization of Asia".
26. It is worth remembering, of course, that not all Southeast Asian leaders were as welcoming of a Japanese leadership role in Asia as Prime Minister Mahathir. Lee Kuan Yew, Singapore's Senior Minister, has repeatedly warned against the dangers of Japanese remilitarization. See, for example, Fareed Zakaria, "Culture is Destiny: A Conversation with Lee Kuan Yew," *Foreign Affairs*, March/April 1994.
27. Susumu Yamakage, "Japan's National Security and Asia-Pacific's Regional Institutions in the Post-Cold War Era," in *Network Power: Japan and Asia*, edited by Peter J.

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Katzenstein and Takashi Shiraishi (Ithaca, New York: Cornell University Press, 1997), p. 288.

28. For a detailed description of Japan's role in the creation and development of APEC, see Funabashi, *Asia Pacific Fusion*.
29. Ibid., p. 238.
30. Quoted in Wolf Mendl, *Japan's Asia Policy: Regional Security and Global Interests* (New York: Routledge, 1995), p. 111.
31. See, for example, the 1995 and 1994 editions of the *Diplomatic Bluebook*, available on the Internet at www.mofa.go.jp.
32. National Defense University, op. cit., p. 115.
33. Annual opinion surveys conducted by the Prime Minister's office during this period indicated growing feelings of "friendliness" in Japan towards ASEAN — but sentiment towards the region remained, on balance, negative. Japanese views of South Korea and China actually worsened in the early 1990s. See Johnstone, "Go West or Look East? Japanese Views of America and Asia,", p. 10.
34. Michael J. Green and Benjamin L. Self, "Japan's Changing China Policy: From Commercial Liberalism to Reluctant Realism", *Survival* 38, no. 2 (Summer 1996).
35. Government of Japan, Prime Minster's Office, *Gaiko ni kan suru seron chosa* [Public opinion surveys concerning diplomacy], October 1997.
36. Washington feared that the new facility would offer loans under less stringent conditions than the IMF, thus undercutting the Fund's authority.
37. Michael J. Green, "Japan-China Relations", in *Reluctant Realism*.
38. For an elaboration of this argument, see Christopher B. Johnstone, "Japan's China Policy: Implications for U.S.-Japan Relations," *Asian Survey* 38, no. 11 (November 1998): 1067-85.
39. *Japan-U.S. Joint Declaration on Security — Alliance for the 21st Century*, 17 April 1996.
40. For a description of bilateral dynamics during the economic crisis, see Christopher B. Johnstone, "Strained Alliance: U.S.-Japan Diplomacy in the Asian Financial Crisis," *Survival* 41, no. 2 (Summer 1999).
41. Just days after the missile flew over northern Japan, the United States went ahead with a previously scheduled meeting of the Four Party talks — and announced a new package of food aid for North Korea.
42. Ogura Kazuo, "Atarashii Ajia no sozo," *Voice*, March 1999. Translated as "Creating a New Asia", in *Japan Echo* 26, no. 3 (June 1999): 12-16.
43. Green and Self, op. cit., p. 52.
44. Marc Castellano, "Japanese Aid to Focus on National Interests, East Asia," *JEI Report*, No. 32B, 20 August 1999, p. 9.
45. Henny Sender, "Stemming the Flood", *Far Eastern Economic Review*, 29 July 1999, pp. 52-54.
46. Yamakage, op. cit., p. 296.
47. Michael Green describes how Japan is "recalculating" the meaning of autonomy within the context of the alliance. See Green, *Arming Japan*, pp. 157-58.

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International Law and the Dispute over the Spratly Islands: Whither UNCLOS?

XAVIER FURTADO

Where does the United Nations Convention on the Law of the Sea (UNCLOS) sit vis-à-vis the ongoing disputes over the Spratly Islands? The present row between the Philippines, China, and Malaysia over their respective claims to the Spratly archipelago highlights the tendency of policy officials and the political leadership to invoke the name of UNCLOS to either justify their claims and/or to cast aspersions on the behaviour of other claimants. This discourse, however, reveals the poor understanding that many have of UNCLOS, its provisions and the extent to which it can provide a workable framework for resolving this particular jurisdictional dispute. This article reviews the relevant terms and articles contained in UNCLOS and provides a realistic assessment of its potential contribution. In addition to highlighting the strengths of UNCLOS, the discussion will also point to its very real limitations.

Introduction

The recent tension between China and the Philippines over their respective claims to the Spratly Islands is the latest round in a territorial dispute that has plagued the Asia-Pacific region for several decades. Thus far, the Spratlys conflict has eluded any sort of lasting settlement. Instead, the frequent (almost annual) diplomatic confrontations and the occasional military tensions over the islands have been managed in a piecemeal and *ad hoc* way by the six states involved — Brunei, Malaysia, the People's Republic of China (PRC), the Philippines, the Republic of China (ROC) on Taiwan, and Vietnam ("the Spratly six").

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Whenever tensions arise, there is a flurry of activity — Philippine air force jets fly over Mischief Reef taking pictures of China's latest "renovations" to its structures on the reef, communiqués are sent, and diplomats are dispatched. While a region-wide military crisis has been averted thus far, many analysts and policy-makers agree that this annual pattern is too risky to continue indefinitely. The threat that this ongoing dispute presents to regional stability calls for a more stable mechanism to resolve it peacefully.

In the midst of the accusations and the ongoing search for solutions, officials from virtually all of the concerned governments have invoked the United Nations Convention on the Law of the Sea (hereafter referred to as UNCLOS or the Convention) to justify their own behaviour while also casting aspersions on the behaviour of the other(s). Having been signed and ratified by all of the Spratly six,[1] UNCLOS represents the only framework/set-of-rules that has been commonly agreed upon for establishing oceanic boundaries. As a result, it offers the claimants a common foundation from which to begin their negotiations.

UNCLOS, however, is not without its own shortcomings. While it is a useful piece of international legislation, it cannot be applied blindly to the Spratly conflict. Although the Spratlys conflict is in many ways a straightforward territorial dispute, it is also a function of the region's unique set of historical and geopolitical considerations that challenge the ability of the Convention to provide an authoritative framework that all the parties can use. Consequently, applying the Convention to this particular issue requires special consideration.

UNCLOS, of course, does not seek to resolve territorial disputes. Rather, it is meant to provide a standard against which any co-operative arrangement regarding the Spratlys should be measured. The purpose of this article is to discuss whether or not the Convention is, on its own, an appropriate guide. In order to do this, the article will provide an overview of the history and genesis of the Spratlys dispute and, in doing so, review each government's claim. The article will then examine some of the Convention's key provisions. Set against this backdrop, the assessment will highlight some of the challenges UNCLOS confronts in trying to provide the claimants with a workable framework.

The Nature of the Claims

Questions over ownership and control of the Spratlys have been complicated by more than a century of colonial competition beginning in the early 1800s. As the French and British empires crumbled through the nineteenth and twentieth centuries, they left in their wake a series of power vacuums and a corresponding dearth of rules, norms and

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mechanisms with which to resolve conflicting territorial claims. Competing claims to the South China Sea began to first garner international attention towards the end of the nineteenth century as Britain, France, and Japan competed with one another and with China over sovereign control of the South China Sea. As these powers eventually withdrew from Southeast Asia, other states were brought into the fray, complicating matters further.

One of the greatest difficulties in deciding the legitimacy of each claim is arriving at a set of common criteria and norms with which states can make their claims. While the PRC, ROC and Vietnam claim the entire Spratly archipelago because of what they perceive to be their "historical right" to the area, Brunei, Malaysia, and the Philippines base their respective claims on the stipulations regarding continental shelves outlined in UNCLOS.[2] As a result, one of the central difficulties is reconciling historically-based claims with those that employ the norms of international law. While some would argue that the historical claims of the PRC, ROC, and Vietnam should be discarded because they do not conform to the stipulations of UNCLOS, this is unrealistic. The notion of historical entitlement sits at the foundation of their claims to the Spratly archipelago and are unlikely to dissipate simply because analysts choose to ignore them. As a result, any proposed framework must address such concerns.

While providing a comprehensive review of each state's claim to the Spratlys would go well beyond the scope of this article, it would be useful to gain a broad understanding of how each party sees its own claim as well as those claims made by the other states involved. Though by no means meant as an exhaustive review, the following section provides an outline and summarizes each claim.[3]

China

Beijing argues that its claim to the entire South China Sea dates from the Xia dynasty, which reigned between the twenty-first and the sixteenth centuries B.C. In addition to claiming that it was the first to discover the South China Sea and its various island groups, Beijing contends that it was the first to name, map, study, use, and patrol the South China Sea and the islands therein; the first to open sea lanes through the South China Sea; the first to place the South China Sea and its islands under the jurisdiction of a national and/or local government; and the only government to have accepted the Japanese surrender at the end of World War II and retaken sovereign control of the area. Based on accepted norms of the time, it is argued that these actions entitle China to the entire South China Sea and all of

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its constituent features, which include the Spratly archipelago. To argue that China's claim is not codified anywhere in conventional international law is, to Chinese officials, to miss the point. As will be explored later, it is the continued use of these norms that poses one of the greatest obstacles to the effective application of UNCLOS to the Spratlys conflict.

China's earliest formal claim emerged with the signing of the Convention Respecting the Delimitation of the Frontier between China and Tonkin on 26 June 1887 which concluded the Sino-French War of 1884-85. Article 3 of this convention provided for a delimitation line between French and Chinese territorial claims in the South China Sea. Despite its ambiguities, Chinese officials have interpreted Article 3 as giving Beijing ownership and control of the Paracel and Spratly Islands.[4] For the remainder of the nineteenth century and into the early 1900s, China made several attempts (much to the chagrin of the French and Japanese) to assert control over the South China Sea on the basis of this convention.[5]

The Spratlys conflict attained renewed importance in the closing days of World War II when Nationalist China (the ROC) occupied and established an operations base on the island of Itu Aba. At the same time, France continued to play a role in the dispute by claiming certain islands for the government in Paris as well as aiding Vietnamese claims in the area. General confusion as to the ownership of the Spratlys was then exacerbated by ambiguous settlements at the conclusion of World War II.[6] The eventual collapse of the French empire in Indochina left the status of the Spratlys undecided, and enabled the ROC to exercise *what it felt* was effective control over the islands. Of course, other parties to the dispute argue that the legitimacy of this claim is, at best, dubious.[7]

The next three decades were characterized by several sporadic and contentious claims made by five of the six disputing parties. During this time, many of these claims went largely unnoticed by the international community and, as a result, were not closely scrutinized to determine their legitimacy. In August 1951, Zhou En-lai, then the PRC's Foreign Minister, responding to the draft of the San Francisco Treaty, outlined Beijing's position on the South China Sea:

> In fact, the Paracel Archipelago and Spratly Island, as well as the whole Spratly Archipelago ... have always been Chinese territory. Though occupied for some time during the war of aggression unleashed by Japanese imperialism, they were taken over by the then Chinese government following Japan's surrender. The Central People's Government of the People's Republic of China declares herewith: The

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> inviolable sovereignty of the People's Republic of China over Spratly Island and the Paracel Archipelago will by no means be impaired, irrespective of whether the American-British draft for a peace treaty with Japan should make any stipulations and of the nature of any such stipulations.[8]

Despite the fact that China, like the other claimants, has ratified UNCLOS, this historically based argument continues to be the basis of its claim to the Spratlys.[9] In fact, as recently as 25 February 1992, the Standing Committee of the National People's Congress adopted the Law on the Territorial Waters and their Contiguous Areas. The Law decrees that "the extent of the PRC's territorial waters measures 12 nautical miles from the datum-line of the territorial waters".[10] China, however, has never published its territorial base-lines from which territorial waters in the South China Sea would be measured, leaving the entire issue unsettled. Although Beijing has made several public statements suggesting that the Spratlys' (alleged) resource wealth might be administered jointly, Beijing has never failed to remind its Southeast Asian neighbours that China sees itself as the sole sovereign authority over the entire Spratly chain.[11]

The Republic of China (ROC) on Taiwan

Following closely on China's claim is that of the ROC.[12] With the invasion of Japanese forces on the island of Hainan in 1939, the Spratlys were placed under Taiwan's jurisdiction. After Japan's withdrawal from the region at the end of World War II, the ROC stationed troops on Itu Aba island. As a result, ROC officials claim that Taiwan was the first to occupy part of the Spratly chain and was the first to assert effective control and authority in the area. Although Taiwanese troops were withdrawn in 1948 to fight communist forces from the mainland, they were redeployed to Itu Aba in 1956 and have remained there ever since. Much like the PRC, the ROC also lays claim to the Spratlys as a matter of historical right. Even though the ROC government has recently revised its policy on the Spratlys,[13] its historical claim remains central: "On the basis of history, geography, international law and the facts, the Spratly Islands... have always been part of the inherent territory of the Republic of China. The sovereignty of the Republic of China over them is beyond doubt."[14] In addition to arguing that ROC fishermen have drawn their livelihood from the waters of the South China Sea for several centuries, Taipei also contends that it has been exercising effective administration and control over some of the islands in the Spratly group ever since 1956, if not since 1948.

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While the ROC's official position on the Spratlys is often seen as being identical to that of the PRC, the question of whether the ROC should bring its policy in line with that of Beijing remains open and further complicates the Spratly dispute.[15] Those in Taiwan who see the PRC as a genuine threat to the ROC's security, argue against an identical position as it would scare claimants away from negotiating directly with Taipei. However, those who see stable cross-straits relations as the key to the ROC's continued prosperity, argue that closer co-operation with (if not acquiescence to) Beijing in the South China Sea is essential. Indeed, neither of these positions is truly in the ROC's interest as one would antagonize Beijing while the other would antagonize ASEAN where the ROC has growing economic interests. In the absence of any progress on the ever-present "Taiwan issue", ROC officials are likely to continue to balance the different domestic constituencies while continuing to push for a peaceful settlement.

Vietnam

Much like the PRC and the ROC, Vietnam's claim is also based on what it sees as its historical right to the area. The government in Hanoi argues that Vietnamese emperors had effectively administered the Spratly archipelago since the 1800s. They also contend that maps from the period show the Spratlys to be under Vietnamese control. While Hanoi concedes that it lost interest and failed to effectively administer the archipelago, it maintains that it regained its right to the Spratlys upon independence from France when it inherited France's territorial holdings in the area. At the Seventh Plenary Session of the United Nations General Assembly in 1951, Prime Minister Tran Van Huu stated: "As we must frankly profit from all the opportunities offered to us to stifle the germs of discord, we affirm our right to the Spratly and Paracel Islands, which have always belonged to Vietnam."[16] In its 1975 White Paper, the Vietnamese Government reiterated that:

> [T]he French, who occupied the southern part of Vietnam known as Cochinchina, took all those measures necessary for the establishment of the legal basis for possession of the Spratly Islands. In 1933, the Spratlys were incorporated into the French colony of Cochinchina and from that year forward have had an adequate administrative structure.
>
> It is true that French jurisdiction was disrupted by the Japanese invasion of 1941. However, shortly after the Japanese defeat in 1945, France returned Cochinchina to Vietnam, which then recovered all the rights attached to the former French colony. Immediately thereafter,

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> Vietnamese sovereignty over the Truong Sa [Spratly] Islands faced groundless claims from other countries in the area which military [*sic*] occupied some of the islands of the archipelago.[17]

As one can imagine, Beijing denies the legitimacy of Hanoi's historical claim as well as its subsequent argument that the Spratlys are part of its colonial inheritance from France. There is no indication, Beijing argues, that Vietnam was entitled to the Spratlys upon independence. Furthermore, France never laid claim to the entire archipelago. As a result, Beijing cannot see any conceivable reason why Vietnam should be entitled to the entire Spratly chain.

The Philippines

Further complicating the Spratly issue have been the subsequent claims of the Philippines and Malaysia. The Philippines' earliest claim was in 1956 when Thomas Cloma, a private Filipino citizen, claimed that he discovered a group of islands in the South China Sea which he named the "Kalayaan Islands". More than a decade later, in 1968, the Philippine military occupied eight of the islands that comprise Cloma's original claim. It was not until 1978 that the Philippine Government laid a formal claim to these islands through the issuance of Decree 1596. Since 1968, the Philippine military has posted garrisons on seven of the features while also developing a military airstrip on Thitu Island.

The Philippine claim rests on two key ideas. First, it argues that the islands were, before 1956, unowned and without a sovereign authority (*terra nullius*). Therefore, when Cloma laid his claim, he was appropriating for the Philippines territory which was not under another state's sovereign control. The government's second argument is based on the provisions for 200-nautical-mile Exclusive Economic Zones (EEZ) embodied in UNCLOS. The Kalayaan group, Manila argues, falls within the Philippines' legitimate EEZ.

These arguments are the subject of considerable controversy. Beijing, Taipei and Hanoi each argue that the Kalayaan group was not *terra nullius* and, instead, was under sovereign authority. Each argues that the Philippines' claim betrays an embarrassing ignorance of the facts. The Philippines' interpretation of UNCLOS is also questioned by other claimants who argue that the provisions for the EEZ outlined in the Convention apply only to areas/zones that would previously have been considered part of the high seas, not part of another state's sovereign territory. The Kalayaan group is not such an area. Depending on which government is protesting the Philippine claim, Kalayaan has always been under either China's, Vietnam's or Taiwan's sovereign control.

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Malaysia

Malaysia's claim dates from 1979 when the government published an official map showing the southernmost islands of the Spratlys chain to be part of the country's continental shelf and EEZ. The Malaysian Government argues that, prior to its claim, these islands were uninhabited (*res nullius*). While its claim seems to be consistent with the terms of UNCLOS, several of the other claimants disagree.[18] Some, like the PRC and ROC, argue that their historical entitlement to the Spratlys supersedes Malaysia's claim, while others dispute Malaysia's particular interpretation of the Convention and its use of occupation as a means to establish sovereign control.

Once again, controversy reigns. Other claimants contend that Malaysia has misinterpreted the continental shelf provisions in the Convention. While UNCLOS allows a state to control living and non-living resources in its continental shelf, it says nothing about granting a state sovereignty over islands that may be located on its continental shelf, especially if they already fall within the jurisdiction of another state. In some ways, the Malaysian claim suffers from the same shortcomings as the claim by the Philippines.

As one can see, the Spratly dispute has several idiosyncracies. It is more than a simple territorial dispute and defies the easy application of UNCLOS. The modern conflict is a complex tapestry woven together by various threads, including notions of historical right, colonial inheritance, outright territorial annexation and the norms of twentieth-century international law. Having provided an overview of the specific claims to the Spratly archipelago, we now turn to an assessment of UNCLOS in the light of the issues outlined above.

UNCLOS: Flawed from the Start?

As the product of almost three decades of multilateral negotiations, UNCLOS represents the most comprehensive attempt to create a body of commonly accepted norms and standards. Now that it has been ratified by all six of the claimants, UNCLOS can provide the claimants with a common set of norms, principles and rules for delineating oceanic boundaries, determining lawful entitlement to living and non-living resources in the sea, and guiding the settlement of future boundary disputes.

However, as suggested at the outset of this article, UNCLOS *by itself* is insufficient. Its utility to those involved in the Spratlys dispute is limited because different histories, selective interpretations of UNCLOS, as well as the Convention's own vague wording, prevent it from acting as a credible body of law meant to guide state behaviour.

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While these concerns do not render the Convention completely ineffective, they highlight important questions and concerns that must be addressed if the Spratly six are to arrive at an arrangement that is consistent with the Convention.

Indeed, it could be argued that the Convention's very beginnings were handicapped by the attitudes of those who (also party to the Spratly dispute) were present at its signing. Statements from key individuals were not encouraging and did not augur well for UNCLOS in Southeast Asia. For example, in the Philippines' declaration at the signing of UNCLOS, Filipino officials made it very clear that they were unwilling to reconsider their position on the Spratly dispute in light of the Convention. The fourth paragraph of their declaration reads: "Such signing [of the Convention] shall not in any manner impair or prejudice the sovereignty of the Republic of the Philippines over any territory over which it exercises sovereign authority, such as the Kalayaan Islands, and the waters appurtenant thereto...".[19] In the same vein, the Chinese declaration at the signing focused almost exclusively on its position on the Spratly dispute:

> With reference to the depository notification C.N.7.1983.TREATIES-1 (Annex B) [of 23 February 1983] and C.N.104.1984.TREATIES-3 [of 22 May 1984] which involve the sovereignty and interests of the People's Republic of China over its territory of the Nansha Islands, [China] has the honour to reiterate as follows:
>
> The so-called Kalayaan Islands are part of the Nansha Islands, which have always been Chinese territory. The Chinese Government has stated on many occasions that China has indisputable sovereignty over the Nansha Islands, and the adjacent waters and resources.[20]

Insofar as these statements reflect an unwillingness to alter positions in the light of the norms and standards detailed in UNCLOS, it is not difficult to see how UNCLOS might have been handicapped from the very beginning. In fact, the Chinese delegation's objections to UNCLOS were part of Beijing's more general concerns with the Law of the Sea before it joined the United Nations in 1971.[21] Even upon signing the Convention, Han Xu, Chairman of the Chinese delegation had these words:

> ... we cannot but point out there are still shortcomings and even serious defects in the provisions of quite a few articles in the Convention. The Convention is not entirely satisfactory to us. At the previous sessions of the Conference, we repeatedly pointed out that in the articles of the Convention relating to the innocent passage through the territorial sea there were no clear provisions regarding the regime of the passage

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> of foreign warships through the territorial sea. A considerable number of States including China time and again submitted their amendment in this regard. ... In addition, the relevant provisions in the Convention also contain shortcomings as regards the definition of the continental shelf and the principle of delimitation of the exclusive economic zones and continental shelf between opposite and adjacent states.[22]

These statements, made early on in the life of UNCLOS, reveal some of the substantive difficulties the Convention would encounter in attempting to help resolve the Spratly dispute.

While the Convention's stipulations are broad and multifaceted, there are a number of key concepts that lie at its core: the notion of a 200-nautical-mile EEZ; the notion of historical entitlement and claim; the assumption that the Convention's provisions take precedence over earlier norms/principles embodied in earlier agreements; the legal definition of an island; the rights and privileges of archipelagic states; the use of baselines to delineate territorial waters; and the practice of asserting and exercising administrative control (sovereignty) over new territory. Despite the Convention's apparent breadth, and the fact that it has contributed to the successful resolution of other oceanic disputes, some of its central concepts and assumptions make its application to the Spratly question awkward.

Exclusive Economic Zones (EEZ)

With its focus on generating EEZ, UNCLOS frames any sort of inter-state discussion over oceanic boundaries in a way that puts resource/economic considerations at the centre of the discourse.[23] This is even true in the case of the Spratlys where, given the uncertainty of available information on the archipelago's hydrocarbon wealth, it is not clear that such considerations should form a central part of the discussion. In the case of the Spratly question, the Convention's notion of an EEZ only feeds the expectation that there is something below the Spratly archipelego worth fighting for when, in fact, there is no reliable information to indicate that this is true. While the EEZ concept plays such a central role in the Convention, there is some question of whether or not UNCLOS, *by itself*, provides an appropriate set of norms and standards.

History and Territorial Irredentism

As a result of East Asia's troubled history, boundary and territorial disputes are especially sensitive issues. During the region's long history

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of colonialism, virtually every state (with the possible exceptions of Japan and Thailand) was forced to cede some territorial sovereignty to various foreign powers. In many cases, this resulted in an acute sense of national humiliation which, for some, continues to this day. The region's troubled history has not been forgotten by its citizens; the resulting bitterness and wariness of foreign incursions is part of the national psyche and plays an important role in shaping policy perspectives. As Choon-ho Park writes:

> When sovereignty was restored to these former colonies or near-colonies during the postwar years, each state became highly conscious of its new status and desirous of preserving it. Only within this context is it possible to appreciate their sensitivity to whatever affects their territorial integrity, a sensitivity that has yet to subside. Thus, a territorial dispute, especially one between a former ruler and the ruled, instantly touches the raw nerves of the people of a former colony and causes their nationalist sentiments to flare up, even if the piece of territory involved is scarcely worth arguing over.[24]

Because of these sensitivities, it is very difficult to convince either Hanoi or Beijing to relinquish what they see as their historic entitlement. As an integral part of their national territory, the Spratly archipelago represents an area lost to foreign control. To many Vietnamese and Chinese officials, the notion that UNCLOS — an agreement concluded as recently as 1982 — supersedes historical rights dating from the 1400s is absurd. While some may argue that these historical claims were surrendered when the PRC and Vietnam ratified UNCLOS, their continuing refusal to consistently couch their claims in the terms and stipulations outlined in UNCLOS indicates the extent to which historical considerations continue to shape policy decisions. As a result, these considerations should not be ignored nor treated lightly.

UNCLOS and the Continued Relevance of Earlier Norms and Practices

While UNCLOS is silent on issues relating to the acquisition of territory and/or the maintenance of sovereign claims, it implicitly accepts a set of criteria/norms for making claims that contradict earlier norms used by the PRC and Vietnam for centuries. Arguing that their traders/explorers/fishermen were the first to discover the archipelago and use the Spratlys to sustain their livelihood, Beijing and Hanoi each claim that they were the first to exercise effective administration and control. According to the accepted practice of the time, such claims were deemed legitimate. In fact, the colonial powers used similar principles when laying claim to various parts of the non-European world. UNCLOS,

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however, is based on a very different understanding: it accepts the notion that a state must exercise *uninterrupted* administrative control over the area in question. The inability to reconcile this perspective with the perspectives of Vietnam and China is a key obstacle. As Park writes:

> In the final analysis, international law can effectively resolve only disputes that are basically legal, whereas the most important disputes, like [the Spratly dispute] with its highly complicated historical background, are political in nature and susceptible therefore to political resolution only. ... This point is especially relevant to China; China has a series of other extremely difficult territorial disputes ... For these reasons, neither party, China in particular, is likely to seek or agree to any type of legal settlement of the Paracel-Spratly dispute.[25]

Even in those instances when the claimants have invoked UNCLOS, it was interpreted selectively and, on many occasions, was deliberately misinterpreted. There are a series of issues that are central to this problem and they add to the difficulty of applying the terms of the Convention to the Spratlys dispute.

The Definition of an "Island"

One such issue is the definition of an island. According to UNCLOS, an island can be used to generate an EEZ. The drafters of the Convention, not wanting small uninhabitable rocks and occasionally submerged features to be used as base points, defined an island as "a naturally-formed area of land, surrounded by water, which is above water at high tide".[26] The Convention is careful to differentiate between legitimate islands and "rocks which cannot sustain human habitation or economic life on their own".[27] In spite of this clear definition, some claimants (the PRC in particular) have used submerged features in the Spratly chain to claim territorial waters and EEZ.

For example, both the PRC and the Philippines claim Scarborough Reef which lies some 215 kilometres west of the Philippines. While some features of the Reef are submerged, others manage to remain above sea level at all times. However, as those features are unable to generate any sort of economic activity and are uninhabitable, they cannot be used to claim an EEZ. In spite of this, the PRC and the Philippines continue to engage in an open confrontation over who has legitimate control over Scarborough Reef.[28] More importantly, this has contributed to further confusion over the definition of an island as outlined in UNCLOS.[29]

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The selective misinterpretation of specific definitions in UNCLOS has prompted some claimants to erect concrete foundations on top of otherwise submerged reefs to ensure that they remain above sea level at all times. China has fortified both Mischief Reef and Johnson Reef to extend its claims in the Spratlys.[30] The ill-informed commentary and analysis of some academics and policy advisers have fuelled this sort of behaviour. For example, Pan Shiying of Beijing's Foundation for International and Strategic Studies has written:

> With ownership of an island or reef, there would come territorial waters. And with territorial waters, there would come oceanic resources ... [P]ossession of a one [*sic*] small island or a piece of reef enables the country to claim a total of 1,500 square kilometres of territorial sea, or three times the size of Singapore. When it comes to the stipulation of economic zones, it enables the country that owns the island to claim 430,000 square kilometres of special economic zone.[31]

Not only has this kind of mistaken interpretation led to a series of bilateral confrontations over particular features in the Spratly chain, but it has also contributed to wider confusion within governments over the principles outlined in UNCLOS and, consequently, a general deterioration of the Convention's perceived legitimacy as an authoritative body of law.

Archipelagic States

Another area of potential difficulty is how states have chosen to interpret the Convention's unique provisions for archipelagic states. Part IV of UNCLOS defines an archipelago as "a group of islands, including parts of islands, interconnecting waters and other natural features which are so closely interrelated that such islands, waters and other natural features form an intrinsic geographical, economic and political entity, or which historically have been regarded as such".[32] UNCLOS affords archipelagic states, such as the Philippines, specific privileges in terms of drawing baselines for territorial/sovereignty purposes. Specifically, such states have the right to draw baselines around the fringes of their outermost islands. In doing so, archipelagic states are allowed to claim the waters within these boundaries as sovereign territory. Having established their periphery, archipelagic states can then claim their territorial sea and other maritime spaces as would any other state. As a result, it is possible that substantial areas of the ocean (which otherwise would be considered part of the high seas) would come

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under the sovereign jurisdiction of a single state. In the case of the Spratly dispute, the Philippines has benefited the most from these provisions and, at various times, has attempted (rightly or wrongly) to use them to justify its claim to the Kalayaan group.[33]

The privileges granted to archipelagic states are somewhat unclear and, as a result, are often open to misinterpretation. Moreover, in the case of the Philippines, it has proven very difficult to reconcile UNCLOS with existing provisions in the Philippine Constitution regarding internal waters. Article 1 of the 1987 Constitution states that "the waters around, between, and connecting the islands of the archipelago, regardless of their breadth and dimensions, form part of the internal waters of the Philippines".[34] To reinforce this assertion, the Philippine Government made the following statement:

> The concept of archipelagic waters is similar to the concept of internal waters under the Constitution of the Philippines, and removes straits connecting these waters with the economic zone or the high sea from the rights of foreign vessels to transit passage for international navigation.[35]

Consider this in the light of the Philippine delegation's comments at the signing of UNCLOS, and one can see how Manila's 1978 claim to the Spratlys might generate controversy. While UNCLOS is not at fault, the Philippines example serves as yet another instance of how the authority of the Convention has been (and will likely continue to be) questioned. Because of this constitutional provision, UNCLOS is unable to provide all parties to the Spratly dispute with the common norms and standards its drafters intended.

UNCLOS and Dispute Settlement

Compared to many other bodies of international law, UNCLOS has a very elaborate set of guidelines for dispute settlement and mediation.[36] Proceeding from the broader U.N.-wide stipulation that states must resolve their disputes peacefully, the drafters of the Convention ensured that Parts XI and XV (which outline available dispute settlement mechanisms) would cover any conceivable conflict that might arise. Hence, parties may choose one or more of the following forums for dispute settlement: the International Tribunal for the Law of the Sea, the International Court of Justice,[37] an arbitral tribunal, a special arbitral tribunal (only for sensitive topics such as fisheries, research, navigation and environmental protection), and/or regional arbitration mechanisms (should they be available).[38] Regardless of the forum they choose,

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signatories must have their disputes settled in a forum with the power to make binding decisions. By requiring this, the drafters have (at least in theory) achieved something that is unprecedented in international legal circles. At the same time, considerable exceptions are made in order to accommodate particular governments and their interests. These exceptions weaken the credibility and, hence, the utility of the Convention.

The source of this particular shortcoming dates from the early days of the Convention. The drafters saw the need to balance a series of contending interests from three different constituencies: coastal states that are motivated by concerns over the use of their adjacent waters; third (or "flag") states that are interested in using the oceans for a variety of purposes; and the international community which is most interested in ensuring that these sometimes competing sets of interests do not result in armed confrontation.[39] In order to be able to balance these concerns, UNCLOS grants coastal states considerable exemptions from the requirement for binding arbitration. This was meant to ensure that the sovereign rights of coastal states are not compromised. While such an exception may seem inappropriate, the signing of UNCLOS may not have been possible otherwise.

> It seems that the... exceptions from compulsory judicial settlement were unavoidable because they all touch highly political issues. Otherwise a consensus on comprehensive and effective dispute settlement procedures providing for final judicial determination had probably not been attainable.[40]

In the case of certain disputes centring on scientific research in an EEZ or continental shelf of a coastal state, or involving the fisheries of coastal states, those states are not required to submit the disputes to binding dispute settlement.[41] Special exemptions are also granted for issues of extreme political sensitivity. Such disputes include ocean boundary delimitation, military and law enforcement activities, and conflicts in which the Security Council exercises its mandate. As Nicolas Schrijver has pointed out:

> The exclusion of disputes over sea-boundary delimitation results from the unclear delimitation criteria under the law of the sea. The exclusion clause entails that coastal States have the right to declare that they do not accept any or all compulsory settlement procedures over the boundaries of their territorial sea, continental shelf, EEZ or historic bays.[42]

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Despite its relatively comprehensive provisions for dispute settlement, the Convention continues to face the same challenge that has always plagued international law: effective enforcement and credibility.

This review of the Convention's shortcomings illustrates how states involved in the Spratly dispute can choose to invoke UNCLOS only when it is convenient and/or interpret its stipulations in ways that justify their own actions. As long as the parties to the Spratly dispute continue their selective interpretation of the Convention's articles and, *despite their ratification of UNCLOS*, fail to accept its norms, principles and obligations in their entirety, UNCLOS will continue to be ineffective.

Conclusion

Despite the criticisms levelled in this article, the intention has not been to argue that UNCLOS is a worthless instrument. Rather, what is being suggested is that UNCLOS must be applied to the Spratly question in a way that accounts for the unique characteristics of the dispute. As Dayanku Zabaidah Binti Pengiran Kamaludin stated while presenting a paper to the Third Workshop on Managing Potential Conflicts in the South China Sea:

> The development of international marine law, including the LOSC [*sic*], has become complicated and poses some problems regarding definitions, technical details, and jurisdictional matters. These uncertainties inhibit its usefulness as a guideline for dispute resolution. Nevertheless, this by no means renders the Convention useless, so long as the parties concerned have the political will to recognize new obligations, responsibilities, rights and liabilities within its framework.[43]

The lessons from this article are twofold. First, any useful attempt to develop a regularized mechanism with which to resolve the Spratly conflict must consider how UNCLOS and its key provisions can be integrated into the larger dispute resolution process. Secondly, the search for newer alternatives must focus on mechanisms and arrangements that are specific to the Asia-Pacific region. As a result, it is necessary for students and policy-makers to remember that multilateral arrangements emerging presently in East Asia are still relatively new. While this affords policy-makers considerable flexibility in entrenching the habit(s) of regularized dialogue and exchange, it also poses a unique set of obstacles which require new and creative strategies to ensure success.

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NOTES

The author is indebted to Brian Job, Ian Townsend-Gault and an anonymous referee for *Contemporary Southeast Asia* for their helpful comments on earlier drafts of this article.

1. Because of its unique legal status, the ROC is not a party to the Convention and cannot become one unless its legal status is revised. While this set of issues is not explored in this article, it is worth noting that the ROC's unique status poses special problems for negotiating any sort of arrangement regarding the sovereignty and control of the Spratly chain.
2. At the same time, the Philippines' claim is also based on the notion that some of the Spratlys were discovered in 1956 by Thomas Cloma, a private Filipino citizen, and that, until that time, the Spratlys were considered *terra nullius*.
3. For a more thorough examination of each country's position, see R. Haller-Trost, *The Spratly Islands: A Study on the Limitations of International Law* (Kent: Centre of South-East Asian Studies, University of Canterbury, 1990).
4. For the exact passage, see *Treaties, Conventions, etc. Between China and Foreign States*, 2nd edition (Shanghai: Inspector-General of Customs, 1917), p. 934. See also Hungdau Chiu and Choon-ho Park, "Legal Status of the Paracel and Spratly Islands, *Ocean Development and International Law* 3, no. 1 (1975): 11-13.
5. Marwyn S. Samuels, *Contest for the South China Sea* (New York: Methuen, 1982). pp. 52-69.
6. In particular, the author is referring to the San Francisco Treaty of September 1951 and the Sino-Japanese Peace Treaty signed on 28 April 1952. In both treaties, Article 2 states that "Japan renounces all rights, title and claim to the Spratly Islands and to the Paracel Islands".
7. Not only has this claim been disputed for the normal reasons of territorial integrity and sovereignty, but there is considerable debate over the extent to which states can exercise "effective sovereignty and control" over uninhabitable islands (that is, islands that, in adhering to the stipulations outlined in UNCLOS III, one must conclude cannot support economic activity or human habitation).
8. As quoted in Samuels, op. cit., p. 79.
9. Presently, the basic principles outlined in UNCLOS seem to have played, at best, a limited role in helping Beijing decide its claim to the Spratlys. For a closer exploration, see Jeanette Greenfield, *China's Practice of the Law of the Sea* (Toronto: Oxford University Press, 1992), pp. 150-67.
10. Gerald Segal, *China Changes Shape: Regionalism and Foreign Policy*, Adelphi Paper 287 (London: Brassey's for the IISS, 1994), p. 45. See also Philip Bowring, "In South China Sea, Worrying Noises From Beijing", *International Herald Tribune*, 21 July 1992; and Kathleen Callow, "China's Spratlys Move Pushes Vietnam Closer To ASEAN", *Reuter Library Report*, 20 July 1992.
11. At the July 1995 meeting of ASEAN ministers, China's Foreign Minister, Qian Qichen, stated that although China is prepared to entertain the possibility of working "together with the countries concerned to resolve appropriately the relevant disputes according to the recognized international law", and that "[j]oint development is the most realistic and practical way of handling the dispute", China maintains "indisputable sovereignty" over the Spratlys. For more details, see Philip Shenon, "China Signals Willingness to End Island Dispute", *New York Times*, 31 July 1995, p. A3.
12. In fact, despite the fact that both governments articulate separate positions on the Spratlys, their claims coincide with one another. Hence, as far as the Spratly issue is concerned, the outstanding "Taiwan issue" is largely inconsequential.

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13. For more on this, see Kuan-Ming Sun, "Policy of the Republic of China Towards the South China Sea", *Marine Policy* 19, no. 5 (1995): 401-9.
14. "Policy Guidelines for the South China Sea", included as Appendix 1 in ibid., pp. 408-9.
15. This discussion draws heavily from Cheng-yi Lin, "Taiwan's South China Sea Policy", *Asian Survey* 37, no. 4 (April 1997): 323-39.
16. Ibid.
17. Republic of Vietnam, Ministry of Foreign Affairs, *White Paper on Hoang Sa (Paracel) and Truong Sa (Spratly) Islands* (Saigon, 1975).
18. For more on Malaysia's interpretation of UNCLOS and an exploration of other pieces of legislation it has enacted in order to complement UNCLOS, see Hamzah Bin Ahmad, *Malaysia's Exclusive Economic Zone: A Study in Legal Aspects* (Selangor Darul Ehsan: Pelanduk Publications, 1988), pp. 1-4.
19. Office of the Special Representative of the Secretary-General for the Law of the Sea, *The Law of the Sea: Status of the United Nations Convention on the Law of the Sea* (New York: United Nations, 1985), p. 22.
20. Ibid., p. 40.
21. For more information, see Greenfield, op. cit., pp. 197-200.
22. United Nations, "UN Official Records: Summary Record of Meetings, Third UN Conference on Law of the Sea" (Montego Bay, 1982), p. 102.
23. Cristine Chinkin makes a similar assertion when she argues that these sorts of resource issues will inevitably lead to conflict because of the strategic importance of oil. The argument in this article, however, is much more fundamental and specific to the Spratly case. Nonetheless, for a more detailed exposition of Chinkin's argument, see Christine Chinkin, "Dispute Resolution and the Law of the Sea: Regional Problems and Prospects", in *The Law of the Sea in the Asian Pacific Region*, edited by James Crawford and Donald R. Rothwell (Boston: Martinus Nijhoff Publishers, 1995), pp. 237-38.
24. Choon-ho Park, "The South China Sea Disputes: Who Owns the Islands and the Natural Resources?" in *The Law of the Sea: Problems from an East Asian Perspective*, edited by Park Choon-ho and Jae Kyu Park (Honolulu: Law of the Sea Institute, University of Hawaii, 1987), pp. 487-88.
25. Ibid., p. 489.
26. Article 121 of the 1982 Convention.
27. Article 121(3) of the 1982 Convention.
28. For more on this particular bilateral dispute, see Andrew Sherry and Rigoberto Tiglao, "Law of the Seize: Radio Amateurs Arouse Latest South China Sea Tension", *Far Eastern Economic Review*, 12 June 1997, pp. 17-21.
29. Ian Brownlie, *Principles of Public International Law*, 4th ed. (Oxford: Clarendon Press, 1990), p. 231.
30. China's drive to claim sovereignty over the Spratlys for the purposes of extending its maritime claims in the South China Sea, *despite the fact that the Spratlys may not legally qualify as islands*, is noted in Michael Bennett, "The People's Republic of China and the Use of International Law in the Spratly Islands Dispute", *Stanford Journal of International Law* 28, no. 2 (Spring 1992): 431.
31. Rigoberto Tiglao, "Remote Control: China Expands Reefs to Extend Claims", *Far Eastern Economic Review*, 1 June 1995, pp. 20-21.
32. See Article 46 of the Convention.
33. Interestingly, China attempted to use the archipelagic principle in asserting/justifying its claim to the Paracels. The attempt to invoke UNCLOS in this way, however, is inappropriate as the PRC can, in no way, be considered "a group of islands".

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34. As cited in Raphael Perpetuo M. Lotilla, "Philippine Implementation of the UNCLOS: Issues, Problems, and Prospects", in *SEAPOL Workshop on "The Entry Into Force of the Law of the Sea Convention: Issues and Prospects"*, edited by Kathleen I. Matics, Ted L. McDorman and Catherine Parker (Bangkok: South-East Asian Programme in Ocean Law, Policy and Development, 1992), p. 17.
35. As cited in Chinkin, op. cit.,. p. 238.
36. In fact, one of the problems that have been pointed out by some critics is that because UNCLOS outlines so many different forms of arbitration and/or adjudication, there arises a problem with consistency and, in some cases, deciding which jurisprudence takes precedence. See Chinkin, op. cit.,. p. 249.
37. It is worth noting that, in general, countries of the Asia-Pacific region have tended to shy away from having their maritime disputes adjudicated by the International Court of Justice. In fact, the Court has settled maritime boundary delimitation questions in every region of the world *except* East Asia. See also Chinkin, op. cit.,. pp. 258-59.
38. Nicolas Schrijver, *Sovereignty Over Natural Resources: Balancing Right and Duties in an Interdependent World* (Groningen: Netherlands, Rijksuniversiteit Groningen, 1996), pp. 211-12.
39. For a detailed explanation of how balancing these different interests has shaped UNCLOS, and some of the resulting problems, see W. Riphagan, "Dispute Settlement in the 1982 United Nations Convention on the Law of the Sea", in *The New Law of the Sea: Selected and Edited Papers of the Athens Colloquium on the Law of the Sea*, edited by Christos L. Rozakis and Constantine A. Stephanou (New York: North-Holland, 1983), pp. 287-94.
40. G. Jaenicke, "Dispute Settlement under the Convention on the Law of the Sea", *ZAORV* 43 (1983): 820.
41. Article 297, sections 2 and 3, and Annex V, section 2, 1982 Convention.
42. Schrijver, op. cit., p. 213.
43. Rapporteur's Notes, "Sixth Session: Institutional Mechanisms for Cooperation", in *The Third Workshop on Managing Potential Conflicts in the South China Sea* (Vancouver: South China Sea Informal Working Group, UBC Law), p. 31. Dr. Dayanku's paper is entitled, "The Basis of Institutional Mechanisms for Cooperation", which can also be found in this volume on pp. 156-59.

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The Political Economy of Taiwan's Relations with Vietnam

SAMUEL C. Y. KU

Taiwan and Vietnam did not have any links from the mid-1970s to the late 1980s, but since the early 1990s both sides have improved their political and economic relations. Economists contend that Taiwan's expanding investments in Vietnam play a key role behind this change. This article argues that the Taiwan authorities are using the island's economic resources in exchange for political gains from Vietnam. Taiwan's economic diplomacy has been quite successful in developing the island's relations with Vietnam over the past decade, but Taiwan is also facing a serious challenge from Mainland China, because the latter is also strengthening its links with Vietnam. To solve Taiwan's political isolation in the world, both Taiwan and the Mainland will have to go back to the negotiating table.

Introduction

When the Viet Cong conquered Saigon (Ho Chi Minh City) in April 1975, Vietnam was completely under the control of the communists. Over the next eleven years (1975-86), few scholars and observers had any opportunity to know real conditions in Vietnam because of its closed society. As a result of its expensive military venture in Cambodia and little domestic economic development, Vietnam's economy was on a declining trajectory. Vietnam suffered negative economic growth in the early 1980s, with gross national product (GNP) per capita falling to less than US$200. When China opened its doors to the world in 1980 and subsequently experienced rapid economic growth, Vietnam,

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the biggest communist country in Southeast Asia, also decided it was time to make a change.

Since Vietnam implemented *doi moi* (renovation policy) in late 1986, it has enacted a number of laws[1] to encourage foreign investment in the country.[2] During the past decade Vietnam has absorbed relatively large amounts of foreign direct investment (FDI). Major sources of FDI have included Hong Kong, Taiwan, Japan, South Korea, Singapore, France and some other Western European countries. According to official Vietnamese statistics, Taiwan, with accumulated capital of more than US$4.7 billion by the end of 1998 (from 1990 to 1998), has become the largest foreign investor in Vietnam, followed by Singapore and Hong Kong. Because of Vietnam's great potential for business opportunities (for example, relatively cheap labour),[3] most foreign enterprises entered Vietnam purely for economic reasons. Accordingly, Vietnam's economic relations with the capitalist world, especially countries along the Pacific rim, have strengthened considerably since the early 1990s.

Most economists contend that Taiwan's increasing investments in Vietnam is no different from that of other foreign investors. According to one field study, about 86.4 per cent of Taiwanese small firms (with less than 300 employees) and larger firms have invested in Vietnam to take advantage of its low-cost labour.[4] The background to this is that Taiwan's native enterprises, because of the island's worsening investment environment,[5] have gradually moved out since the mid-1980s to seek opportunities elsewhere; this occurred almost at the same time as the initiating of Vietnam's open-door policy. However, this represents only a partial explanation of Taiwan's increasing investments in Vietnam.

Several questions immediately come to mind. Why did Taiwan expand its economic links with Vietnam so quickly in such a short period of time? Why have Taiwan and Vietnam recently upgraded their bilateral relations? While knowing of Taiwan's improving relations with Vietnam, how has Mainland China been dealing with this development? How is Vietnam handling China's political intervention in the growth of the Vietnam–Taiwan relationship? This writer argues that Taiwan's increasing economic links with Vietnam contains both economic and political rationales, because the ruling élite in Taiwan is using the island's economic resources in exchange for political gains from Vietnam (for example, establishing semi-official offices in both countries).

In examining this argument, the article will first discuss Taiwan's diplomatic dilemma in the international community, including Taiwan's isolated situation in the world and its desire for a diplomatic breakthrough. Secondly, Taiwan's increasing economic relations with Vietnam will be detailed. This section will also explore the government-

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sponsored "southward policy", and highlight the Taiwan Government's efforts at encouraging economic relations with Vietnam. Thirdly, the article will examine Taiwan's political gains from expanded economic relations with Vietnam. Fourthly, the development of Taiwan's substantive relations with Vietnam will be addressed. Finally, the article will conclude by making a few suggestions regarding Taiwan's future relations with Vietnam.

Taiwan's Diplomatic Dilemma

The political dispute between the Republic of China (ROC), or Taiwan, and the People's Republic of China (PRC) has lasted since the former was forced to move to Taiwan in late 1949. Both the ROC and the PRC have been competing for the right of sole representation of the Chinese people. In the 1950s and 1960s, the ROC, with the support of the United States, was able to take a legal position in the international community. Since the PRC was admitted to the United Nations and gained sole legal status of representing the Chinese people in the world body in October 1972, the PRC has become a winner in world politics, while the ROC has been the loser. Accordingly, the PRC's diplomatic partners have increased from less than 60 in 1970 to more than 150 in 1997, while those of the ROC have dropped from 65 in 1970 to only 28 in 1999.[6] The ROC has become one of the most isolated sovereign nation-states in the world.[7] Even though Taiwan's economic achievements have earned it credit the world over, it does not help it to win diplomatic partners.

It is within this context that the Taiwan authorities have designed a strategy to use the island's economic resources in exchange for international political status. This so-called economic diplomacy is similar to what Albert Hirschman has described as Japan's strategy of using the power of foreign trade to expand its political influence globally.[8] Both Taiwan and Japan have similarities in terms of their economic achievements, and both countries are using economic resources in exchange for political advantage. But Taiwan is not Japan. The Japanese Government desires more political influence in world affairs, but what Taiwan faces is not how to enhance its political influence; rather, it is a problem of survival in the international political community.

This background explains the development of Taiwan's economic relations with Vietnam in the 1990s. Prior to South Vietnam's fall to the North Vietnamese communists in April 1975, the South had very close formal diplomatic relations with the ROC because of both countries' common goal of fighting communism. By 1995, both South Vietnam

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and the ROC had not only exchanged diplomatic recognition but also maintained strong economic links. The ROC government even sent a military advisory junta to Saigon. However, the situation changed completely after April 1975. The ROC government recalled its ambassador and withdrew all its diplomats from Vietnam; bilateral relations between Taiwan and the new communist Vietnam were suspended until the late 1980s.

When Vietnam reopened its doors to the world, Taiwanese enterprises, following in the footsteps of other foreign investors, went back to the economically-weak Vietnam. Like other investors, owners of Taiwanese industries were seeking business opportunities in Vietnam. As Taiwan kept pouring its capital into Vietnam in the 1990s, the former's political ties with Vietnam also began improving (a point which will be explored in the latter part of this article). What Vietnam needs is foreign capital to promote economic development, whereas what Taiwan desires is recognition as an independent political and economic state entity. The economically-strong Taiwan is able to meet Vietnam's needs, while Vietnam has little problem in establishing unofficial substantive relations with Taiwan as long as this does not provoke the PRC.

In November 1993, P. K. Chiang, then the ROC's Economic Minister, announced Taiwan's "southward policy" to delegates of the Asia-Pacific countries participating in the first summit meeting of the Asia-Pacific Economic Co-operation (APEC) forum in Seattle, in the United States. In mid-February 1994, during the Chinese Lunar New Year holidays, ROC President, Lee Teng-hui, visited three Southeast Asian countries (the Philippines, Indonesia, and Thailand) in what was variously called "holiday diplomacy", "informal visit', and "private visit". This was the first time that President Lee had privately visited countries which had no formal diplomatic relations with the ROC.[9] On 19 March 1994, the ROC's Executive Yuan (Cabinet) passed the "Operation Outline for Strengthening Economic and Trading Relations with Southeast Asia", which formulated the so-called "southward policy". Taiwan's "southward policy" is aimed at six Southeast Asian countries, namely, Indonesia, Singapore, Thailand, the Philippines, Malaysia, and Vietnam. Of these six countries, the first five had already maintained a relative degree of unofficial or semi-official relations with Taiwan;[10] but Vietnam was the only country that had few links with Taiwan.

According to the Operation Outline, Taiwan intended to achieve the following four objectives:

- Expand two-way economic, trade and investment relations with Southeast Asian countries;

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- Assist Taiwan's enterprises in finding beneficial production and distribution bases in Southeast Asia, expanding their management size, and reducing the degree of trade dependence on mainland China;
- Help Southeast Asian countries — based on the principle of mutual benefit — create job opportunities, raise people's annual incomes, and encourage economic prosperity, thus strengthening Taiwan's substantive relations with the nations of Southeast Asia; and,
- Participate in the activities of international economic organizations in Southeast Asia.

Although the Operation Outline highlighted Taiwan's goodwill in expanding the island's economic relations with the Southeast Asian countries, it also underscored Taiwan's political moves in the direction of those countries. When Vice President Lien Chan and Premier Vincent Siew returned from visits to several Southeast Asian countries in January 1998,[11] the ROC initiated a second wave in moving towards Southeast Asia. On 4 March 1998, the Executive Yuan passed the "Practical Program for Strengthening Economic and Trading Relations with Southeast Asia", which included the following four objectives:

- To encourage the China Import and Export Bank to increase loans for overseas investment;
- To hold trade shows for Southeast Asian products in Taipei in order to increase bilateral trade;
- To request central banks of the Southeast Asian countries to give payment warranties so that large Taiwanese enterprises and state-sponsored enterprises can import more easily large amounts of raw materials from Southeast Asia; and,
- To ask the China Import and Export Bank to provide an insurance premium of NT$10 billion (roughly US$300 million) for Taiwanese licensed exporters' claims for losses while exporting to the Southeast Asian countries.

While Taiwanese enterprises are free to invest wherever they like, they are provided financial assistance by the government. This is something different from other foreign investors, and this is also one of the key reasons to explain Taiwan's increasing economic relations with Vietnam in particular, and other Southeast Asian countries, in general.

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Taiwan's Economic Relations with Vietnam

Economic relations are commonly referred to as trade and investment; however, they do not adequately reflect the entirety of economic-related activities among countries. In this article, four indicators — trade, investment, aid, and co-operation — are used to analyse economic relations between Taiwan and Vietnam. As stated earlier, Taiwan's economic relations with Vietnam began only after Vietnam's reform policy was initiated in the late 1980s.

Trade Relations

Trade was the earliest economic interaction between Taiwan and Vietnam. In 1988, Taiwan imported US$1.52 million worth of Vietnamese products, the first time that Taiwan had traded with Vietnam since the fall of South Vietnam in 1975. Since then, Taiwan's trade with Vietnam has kept growing, as shown in Table 1, which illustrates two things: first, that Taiwan–Vietnam trade has expanded dramatically since 1990; the volume of bilateral trade increased from US$118.30 million in 1990 to US$961.58 million in 1994 and to US$1,560 million in 1998. The year 1994 can be regarded as a turning point because Taiwan started to practise the "southward policy". Table 1 shows that Taiwan continued to expand its trade with Vietnam in subsequent years. Even with the onset of the financial crisis in Southeast Asia in 1997, bilateral trade between Taiwan and Vietnam was only affected slightly.

TABLE 1
Taiwan's Trade with Vietnam, 1988-98
(In US$ million)

Year	Import	Export	Total	Balance
1988	1.52	**	1.52	-1.52
1989	32.47	8.88	41.35	-23.59
1990	55.56	62.75	118.30	7.19
1991	80.87	152.29	233.15	71.42
1992	122.91	278.49	401.40	155.58
1993	154.15	501.31	655.46	347.16
1994	218.96	742.61	961.58	523.65
1995	270.30	1,013.69	1,283.99	743.39
1996	316.44	1,176.20	1,492.64	859.76
1997	391.41	1,300.65	1,692.06	909.24
1998	340.12	1,210.61	1,550.73	870.50

SOURCE: Department of Statistics, Ministry of Finance, *Monthly Statistics of Exports and Imports in Taiwan Area* (Taipei: Department of Statistics, Ministry of Finance, R.O.C., January 1998), p. 21. The 1998 figure is from Bureau of International Trade, *Analysis on International Trade* (Taipei: Bureau of International Trade, Ministry of Economic Affairs, 1999), pp. 2.1-2.7.

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Secondly, the balance in Taiwan–Vietnam trade is in favour of Taiwan, mainly because the island has enjoyed a trade surplus since 1990. Table 1 shows that Taiwan's trade surplus has expanded from US$7.19 million in 1990 to US$523.65 million in 1994 and to US$870 million in 1998. This is very significant because Taiwan's trade surplus with Vietnam was, in 1997, the second largest, next to Taiwan's trade surplus with Singapore (US$1,744.68 million in 1997), compared to the island's trade with other countries in Southeast Asia. In 1998, Taiwan's trade surplus with Vietnam (US$870 million) was the largest in Southeast Asia, followed by the island's trade surplus with Singapore (US$562 million). In addition, in 1998 Taiwan enjoyed a trade surplus with five Southeast Asian countries (Singapore, Vietnam, the Philippines, Thailand, and Myanmar), while the island suffered trade deficits with the other five Southeast Asian countries (Malaysia, Indonesia, Brunei, Laos and Cambodia). Of the first five countries, Vietnam is the only one in which Taiwan's trade surplus has kept expanding since 1990. The size of Taiwan's trade surplus with Singapore, Thailand, and the Philippines has remained almost unchanged since 1993.[12]

Investment Relations

Taiwan's investment in Vietnam is another important indicator of Taipei's increasing economic relations with Hanoi, mainly because the island's capital has been pouring rapidly into the once closed-door Vietnam over a very short period of time. Table 2 shows Taiwan's investment in Vietnam and the other five Southeast Asian countries. The table highlights two points. First, the growth margin of Taiwan's investment in Vietnam is the fastest, compared to Taiwan's investment in five other Southeast Asian countries. Prior to 1990, Taiwan did not make any investments in Vietnam because of the suspension of diplomatic ties between the two countries. Yet, as Taiwanese capital began to enter Vietnam in 1991, it increased from US$17.1 million in 1991 to US$158.3 million in 1993.[13] In the following five years, from 1994 to 1998, even though Taiwan's investment in Vietnam did not reach the 1993 level, Taiwan's annual capital investment in Vietnam exceeded US$100 million almost every year during that period. (Taiwan's four major industries investing in Vietnam are textiles, non-metallic minerals, food and beverage processing, and paper products and printing.) As for the other five Southeast Asian countries where Taiwan's investments have also increased since 1988, the growth margin in those investments is not comparable to that of Vietnam.

Secondly, compared with other countries in Southeast Asia, Vietnam received a major part of Taiwan's investments in the years 1993-95. Even in the years 1996-98, Vietnam was not ranked the highest in

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TABLE 2
Taiwan's Investments in Southeast Asia, 1988-98
(In thousand US$)

	Singapore	Philippines	Indonesia	Thailand	Malaysia	Vietnam	Vietnam
1988	6,433	36,212	1,923	11,886	2,708	***	***
1989	5,209	66,312	311	51,604	158,646	***	***
1990	47,622	123,607	61,817	149,397	184,885	***	107.01
1991	12,540	1,315	160,341	86,430	442,011	17,139	477.40
1992	8,790	1,219	39,930	83,293	155,727	20,167	530.67
1993	69,473	6,536	25,531	109,165	64,452	158,396	436.54
1994	100,732	9,600	20,571	57,323	101,127	108,378	460.77
1995	31,649	35,724	32,067	51,210	67,302	108,146	1,215.10
1996	164,978	74,252	82,612	71,413	93,534	100,479	529.97
1997	230,310	127,022	55,861	57,546	85,088	85,414	241.00
1998	158,176	38,777	19,541	131,186	19,736	110,078	252.70
1991-1998	776,538	294,405	436,454	647,566	1,029,067	708,197	4,548.90

Note: The investment in Vietnam, in the grey column, is much larger than that in the white column, which figure is provided by Taiwan's Representative Office in Vietnam.

SOURCE: Ministry of Economic Affairs, *Statistics on Outward Investment, Technical Co-operation, Outward Technical Co-operation and Indirect Mainland Investment* (Taipei: Investment Commission, Ministry of Economic Affairs, January 1998), pp. 46-47.

terms of the amount of Taiwan's capital; Vietnam was ranked second (next to Singapore) in 1996, and third in both 1997 and 1998. In terms of the total amount of Taiwan's investments in Southeast Asia between 1991 and 1998, Vietnam was the third largest (US$708.1 million), next to Malaysia (US$1,029.1 million) and Singapore (US$776.5 million). The explanation for this phenomenon is that Vietnam provides much cheaper land and labour for Taiwanese businessmen. However, business opportunities only give a partial answer to this phenomenon; it does not explain why Taiwan's investments in Vietnam grew so much faster than that of other foreign investors. Other Southeast Asian countries (for example, Cambodia, Myanmar, Indonesia, and the Philippines) also provide similar economic incentives, but they did not attract a similar amount of capital from Taiwan. Given the fact that the economies of some other foreign investors are even stronger than Taiwan's, why is the amount of their investment not comparable to that of the island?

Aid Relations

Foreign aid is usually linked to a country's economic strength. The more powerful a nation-state's economic strength, the more aid it is able to provide. Countries like the United States, Japan, and some in

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Western Europe are examples of this. Aid also usually occurs between friendly countries. The closer the two countries, the more easily aid flows between them. America's aid to Western European countries after World War II is an example. International organizations, like nation-states, also operate aid activities in the international arena. During the Cold War, foreign aid was often utilized by the United States and the Soviet Union as a tool to achieve political and security objectives. As the two superpowers ended their confrontation in the late 1980s, both international aid organizations and nation-states have been promoting aid for largely economic and humanitarian purposes.

Taiwan's aid to Vietnam and other countries is part of the island's diplomacy. As mentioned earlier, Taiwan's economy has improved greatly since the early 1980s, but this has not helped the ROC to gain diplomatic partners. Foreign aid, therefore, becomes an important channel to establish substantive and non-political relations with countries which have no formal diplomatic ties with the ROC. On the other hand, it also helps to strengthen existing bilateral relations with those countries which do have diplomatic ties with the ROC. Vietnam–Taiwan relations had been suspended for more than a decade since April 1975. As Vietnam reopened its doors to the world, it brought forth economic opportunities. But for politically isolated Taiwan, to establish non-official relations with Vietnam is equally, if not more important than the island's economic ties with Vietnam.

Foreign aid usually comes in five different forms: donations, loans with favourable interest rates, technical assistance, programme aid, and project aid.[14] Starting from 1992, Taiwan has offered at least three different kinds of aid — donations, loans, and project aid — to Vietnam, as listed in Table 3. From the table, it is clear that Taiwan's aid to Vietnam is very significant despite the history of hostility between the two countries from the mid-1970s to the late 1980s. However, given the fact that Taiwan and Vietnam do not have formal diplomatic relations, Taiwan's aid to Vietnam is usually effected through a private but government-sponsored organ, the International Cooperation and Development Fund (ICDF).[15] As mentioned earlier, Taiwan and other Southeast Asian countries had in the 1970s set up unofficial offices to deal with their bilateral affairs. But Taiwan was not allowed to set up such an office in Vietnam until November 1992, when Taiwan began to offer aid to Vietnam.

Compared to Taiwan's aid to other Southeast Asian countries, Vietnam received the most aid from the island by the end of 1995. Although Table 3 does not provide cross-country data, Vietnam, according to the ROC's Foreign Ministry, is the only country in Southeast

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Asia receiving aid worth more than US$70 million. In addition, Taiwan has provided aid to Vietnam almost every year since 1992.

TABLE 3
Taiwan's Aid to Vietnam, 1992-98

Year	Content	Amount
November 1992	Donated office equipment to one of the departments in Vietnam's central government	NT$1.8 million
June 1993	Research project on the feasibility of expanding No.5 Road	NT$7.8 million
February 1994	Research project on the feasibility of assisting Vietnam's wood products industry	NT$468,000
Ongoing	Donated equipment and provided a training programme to a training centre in Ho Chi Minh City	NT$11.5 million
March 1993	Assisted small and medium-sized enterprises to invest	US$15 million
May 1993	Provided loans for the expansion of No.5 Road	US$30 million
July 1994	Assisted agricultural development in three provinces	US$5 million
1995	Provided loans for the development of the Hanoi industrial park	US$8.5 million
Nov. 1997	Issued aid for the damage caused by a typhoon	US$30,000
1995-1998	Offered quota for Vietnamese to attend various agricultural training classes in Taiwan. By the end of 1998, more than 300 Vietnamese had attended these classes.	

Note: (1) One U.S. dollar was roughly equivalent to 26 NT dollar during the period 1992-96.
(2) Free room and board are provided by the ROC government when Vietnamese are invited to attend various agricultural training classes in Taiwan.

SOURCE: Department of Foreign Ministry, Republic of China.

Co-operative Relations

Like aid, co-operative relations represent the degree of friendship among countries. The better the relations between two countries, the easier it is to establish co-operative relations. The degree of friendship between two countries does not depend upon whether they have formal diplomatic ties, but upon the substance of their bilateral interactions. Take the ROC, the PRC, and the United States as examples. During the Cold War, America's relations with Taiwan were better than its relations with the PRC, although the United States had recognized the PRC as the sole government of the Chinese people since 1979. In addition, the scope of co-operative relations can cover a variety of perspectives, including economic, technical, educational, military,

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political, and so on. Countries like the United States and Canada are examples, because relations between these two North American states range widely. Prior to the dissolution of the Soviet Union, the United States maintained little co-operative relations with the Russians, in spite of mutual diplomatic recognition between the two sovereign states.

Taiwan and Vietnam started co-operative relations only after both sides signed, on 30 June 1992, an agreement to allow each to set up an office in the other country. The most significant achievement in bilateral co-operative relations was the economic and trade consultation conference, which, designed as a regular meeting, was first held in July 1993. This ministerial conference was held for the second time in July 1995. Taiwan and Vietnam did not hold this conference a third time because of political intervention from the PRC. From the first two conferences, the Taiwan authorities agreed to extend more economic assistance to Vietnam, including encouraging Taiwanese enterprises to invest in Vietnam, offering aid to promote Vietnam's economic development, and providing development experience and training programmes for the Vietnamese, as shown in Table 3. As Taiwan's ruling élite promoted further its southward policy in January 1998, the island expanded its co-operative relations with Vietnam.[16]

Change in Taiwan's Substantive Relations with Vietnam

The term "substantive relations" does not necessarily mean interactions resulting from formal diplomatic recognition; rather, it means interactions between countries without the sanction of formal diplomatic ties. Substantive relations cover various forms of interactions between related actors, such as business, education, culture, academia, tourism, and so on. Substantive relations also include political interactions, because government officials can exchange visits despite the non-existence of diplomatic ties. As a matter of fact, government officials can even hold talks, dialogues, and conferences as long as both sides reach a consensus. When the United States switched diplomatic recognition from Taipei to Beijing in 1979, it did not bring about a fatal damage to bilateral interactions. In addition to strong economic links between Taiwan and the United States, high-ranking officials from both sides exchange visits all the time. Substantive relations between Taiwan and the United States are even better now than before 1979.

Although several other countries also fit this pattern,[17] the case of the ROC is the most significant. Taiwan's relationship with Vietnam is quite different from that with the United States. When the ROC government withdrew its embassy from the former South Vietnam in April 1975, the ROC cut off all channels with communist Vietnam.

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It was not until the early 1990s that the two sides re-established bilateral interactions. Business opportunities are good enough to explain Taiwan's increasing trade and investment links with Vietnam, but they do not reflect the extent of bilateral relations between Taiwan and Vietnam. In the purely business-oriented arena, economics can be separated from politics, but in most cases, economics interacts with politics.

It is this writer's contention that business opportunities have initiated a new era in Taiwan–Vietnam relations, both economically and politically. As with its economic relations with Vietnam, Taiwan's political relations with that country have also improved greatly since 1992, which can be demonstrated in three areas, as detailed below.

Establishment of Semi-Official Offices

Embassies usually facilitate various interactions with host nation-states to which their country has formal diplomatic relations. Diplomats working in embassies are protected by both international law and the domestic law of the host country. They enjoy different kinds of diplomatic privileges, including tax immunity, judicial immunity, airport privilege, secret mail, and so on.[18] Representing their home states, diplomats have free access to their counterparts in the host states.

For those countries without mutual diplomatic recognition, the situation is different. They have to establish an unofficial or semi-official agency in each other's country to manage cross-country affairs. Their agents, whose role is similar to that of diplomats, are however not protected by international law nor domestic law in the receiving countries, although situations might vary from country to country. Generally, the closer the two countries, the more bilateral exchanges there will be between them and the more diplomatic privileges their diplomats (agents) are authorized to enjoy.

In the Taiwan–Vietnam case, the first step in resuming bilateral relations was to set up a semi-official agency or office, which could perform diplomatic functions. For Vietnam, setting up a new agency in a foreign country was nothing special; but for Taiwan, this was considered a diplomatic breakthrough, and a matter of political survival in the international arena. Although Taiwan has more than 100 trade offices overseas, they are all private. As Taiwan's enterprises started to enter Vietnam in 1991, the Taiwan authorities began to ask the Vietnamese to upgrade bilateral relations. An agreement was signed in June 1992, and five months later, in November 1992, Taiwan established two offices, one in Hanoi and another in Ho Chi Minh City.[19] It was in November that Taiwan first offered aid to Vietnam.

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A few months later, in July 1993, the Vietnamese established a Vietnam Economic and Cultural Office in Taipei.

The establishment of these offices is significant, because both sides are allowed to despatch agents[20] to represent their respective governments and to deal with bilateral affairs. Although these offices are not equivalent to embassies, they do operate several diplomatic-related activities. The agents working in these offices are even authorized to enjoy a certain degree of diplomatic privileges, such as airport privilege, tax immunity, judicial immunity, and the use of diplomatic car licence plates. Without the actual exchange of diplomatic recognition, Taiwan and Vietnam have nonetheless improved their substantive relations significantly since 1992.

Frequent Visits between High-ranking Officials

The visit of high-ranking officials to foreign countries not only helps to manage bilateral affairs, but also indicates the degree of closeness of the countries to each other. Taiwan and Vietnam did not have any exchange of visits of officials between the mid-1970s and the early 1990s. But the situation changed when Taiwanese businessmen started to invest in Vietnam in 1991, especially after the establishment of Taiwan's office in Vietnam in November 1992. Visits of government officials from both sides became more frequent as time passed. From Taipei's side, many ministry-level officials from the Ministry of Economic Affairs, Ministry of Finance, Ministry of Transportation, and the Council of National Scientific Development, have visited Vietnam over the past decade. In December 1997, L.T. Hsu, former Vice Premier, led a big delegation with several ministry-level officials to Vietnam, intending to expand bilateral ties.

The visits of Taiwanese officials to Vietnam have both economic and political implications. In economic terms, the visits help these officials to formulate a better policy to assist Vietnam's economic development. Politically, it also helps to enhance Taiwan's political popularity internationally, in terms of Taiwan government officials being able to visit a country which has no diplomatic ties with the island.

Similarly, Vietnamese officials from various government branches began visiting Taiwan from 1992 onwards. These officials have included not only those of ministerial level, but also local government officials (for example, the Mayor of Ho Chih Minh City). By the end of 1998, 16 governors from Vietnam's 58 provinces had visited Taiwan. These visits have allowed Vietnamese officials to know more about Taiwan and to ask for more investment and co-operation from Taiwan; it has also helped to improve and strengthen substantive relations between the two countries.

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Signing of International Agreements

International agreements are documents signed by sovereign states, which are the legal basis for cross-country activities. The number of agreements between two countries also indicates the relative degree of their relations. International agreements can be either broadly or strictly defined. In strict terms, an international agreement, if called a "treaty", is a document first signed by the heads of governments and then endorsed by the respective legislatures of the countries concerned. These official documents are to be respected and abided by, both domestically and internationally. Such agreements are legally binding documents between countries with mutual diplomatic recognition. An international agreement, defined in more broad terms, is a document signed by either the government officials involved or by related agents representing governments. These documents can be merely memoranda, exchange of notes, contracts, and so forth. Under this definition, countries with or without mutual diplomatic recognition can conclude such international agreements. No matter whether broadly or strictly defined, an international agreement is a legal document between sovereign states. Therefore, the signing of international agreements with other countries is an important strategy for Taiwan to upgrade its international political status.

This logic explains the development of Taiwan's links with Vietnam. Since the early 1990s, Taiwan has reached a number of international agreements with Southeast Asian countries, of which Vietnam figures most prominently. Both Vietnam and Taiwan have concluded at least five agreements since November 1992. The first one was to promote and protect bilateral investments (signed in April 1993), the second was an aviation agreement between the two sides (signed in November 1993),[21] and the third, signed in April 1998, was to avoid double income taxation. The third agreement is especially important, not only because the bilateral talks lasted almost five years, but also because it is intended to promote investments between both sides. In May 1999, Taiwan and Vietnam signed another two agreements. One (the fourth) concerns labour, which paves the way for Vietnamese to work in Taiwan. The other (the fifth) is on agricultural co-operation, which is intended to facilitate Taiwan's agricultural assistance and transfer of experience to Vietnam. Economically, these five international agreements help to promote bilateral business interactions; and politically, they prove that Taiwan is not only an independent economic, but also a political, entity.

Constraints of Taiwan's Substantive Relations with Vietnam

The above analysis seems to imply that the future of Taiwan and Vietnam is quite rosy. This is only partly correct. On the one hand, it is true

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that the Taiwan–Vietnam relationship has improved significantly since the early 1990s, compared to the 1980s but, on the other hand, Taiwan is facing difficulties and challenges, to which we now turn.

The PRC's Political Intervention

Intervention by the PRC is something which the ROC government cannot avoid mainly because the PRC, an Asian giant, is Vietnam's formal diplomatic partner. Although both Taiwan and Vietnam are careful in developing their bilateral relations, the PRC is also careful, or even more careful, in monitoring Taiwan's moves in Vietnam. From Beijing's point of view, Taiwan, as part of China, cannot be allowed to conduct political affairs in Vietnam. Even some economic-oriented affairs between Taiwan and Vietnam are under Beijing's close scrutiny. As for Vietnam, the communist country is careful not to deviate from the so-called one-China policy.

Over the past few years, Beijing has actually intervened in Taiwan–Vietnam affairs several times. For instance, in July 1991, Taiwan's China Airlines planned to start direct flights to Ho Chi Minh City, but this was aborted because of the PRC's intervention. However, the most significant example of Beijing's intervention was its success in blocking the holding of the biennial Taiwan–Vietnam ministerial meeting on economic and trading affairs. This bilateral conference, initiated in July 1993, was to have been held for a third time in July 1997, but was suspended because of the PRC.

Economic Competition from the PRC

Taiwan's economic achievements have been the island's most powerful strength in expanding its foreign relations, but this advantage has been weakened due to competition from the PRC since the early 1990s as the economy of the Mainland has gained in strength. China's economic growth rate has been double-digit since the late 1980s, making it the country with the largest foreign exchange reserves in the world.[22] With growing economic resources, the PRC has also begun to exercise economic diplomacy of its own around the world. When Taipei began its southward policy in 1994, Beijing also made efforts to strengthen economic relations with Southeast Asian countries, including Vietnam.[23] In November 1995, the PRC and Vietnam held their first official conference on bilateral economic and trade co-operation, and since then both sides have strengthened their economic relations. For instance, bilateral trade increased from US$1,052 million in 1995 to US$1,441 million in 1997.

Although Beijing does not invest as much as Taiwan in Vietnam, the PRC has been extending aid and co-operation to Vietnam. In October

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1997, during China's Vice Premier Wu Bangguo's visit to Hanoi, the PRC signed a memorandum with Vietnam promising a loan of RMB200 million (roughly US$25 million).[24] In addition, the PRC has since 1996 extended the quota for Vietnamese to attend agricultural classes and training programmes in China. Vietnam, like many other countries, is shrewd enough to receive economic benefits from both Taiwan and the Mainland. As the PRC continues to strengthen its economic links with Vietnam and other Southeast Asian countries, Taiwan's economic diplomacy will increasingly face a serious challenge.

The Limit of Substantive Relations

For the ROC government, establishing substantive relations with Vietnam is a diplomatic breakthrough because the island gains one more foreign base in the international community. But a substantive relationship is not equivalent to formal diplomatic recognition. Taiwan is proud of its substantive links with more than 130 countries around the world, but this has not facilitated the upgrading of the island's political status internationally. What the ROC government desires is not only substantive ties but the use of those ties to establish a foundation for possible diplomatic recognition in the future.

Another deficiency of a substantive relationship is that it is not institutionalized, and thus it is not stable. However, the positive side of such a relationship is the flexibility it provides, even if it creates an element of uncertainty. In Taiwan's experience, as one country's ruling élite favours Taiwan, the latter may have the opportunity to strengthen and expand its substantive relations with that country. However, Taiwan may also face problems with new leaders of third countries, as they have little association with the ROC. The change in Taiwan's relations with Cambodia is a recent example. Taiwan was allowed to set up an office in Cambodia in December 1995 when Prince Norodom Ranariddh was the first Prime Minister. But when Ranariddh was ousted in a coup in early July 1997, Taiwan's office was ordered to be closed by the Hun Sen-led Cambodian government because of Taiwan's involvement, as alleged by Hun Sen, in the political dispute between Hun Sen and Ranariddh.[25] Taiwan might not get involved in Vietnam's domestic political dispute, but the PRC's intervention is always a threat to the substantive relations between Taipei and Hanoi.

The Weakening of Taiwan's Economy

As mentioned earlier, Taiwan's economic strength is the foundation of the island's diplomacy, which was especially true in the 1970s and the 1980s. But the situation has begun to change since the mid-1990s, because Taiwan's economy has entered a period of slow growth. Taiwan

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had experienced high economic growth from the mid-1970s to the late 1980s, which created what was called the "Taiwan miracle". But, since the early 1990s, Taiwan's economic growth rate has not exceeded 7 per cent per annum, even though this figure is still higher than that of the industrialized countries. For 1996 and 1997, the island's economic growth rate was about 6 per cent, and, in 1998 it was 5.3 per cent. Taiwan's foreign exchange reserves have also fallen from more than US$95 billion in 1995 to US$80 billion in 1997.

Being just an island, Taiwan's resources are limited. Even though Taiwan's economy is relatively strong, it cannot always use economic strength to achieve political gains and a diplomatic breakthrough. Vietnam is merely one of the countries that has substantive relations with Taiwan. If Vietnam keeps asking for Taiwan's economic aid, how much can the island offer? In the 1970s and 1980s, when Taiwan's economy was comparatively strong, it was able to achieve some political goals through economic diplomacy, but how much longer can Taiwan's economic diplomacy last? As the PRC's economy continues to grow, how will Taiwan deal with the challenges thrown up from the other side of the Taiwan Strait? These are thorny questions which the Taiwan authorities will have to grapple with in the years ahead.

Conclusion

After the suspension of bilateral interactions for more than fifteen years, Taiwan's economic relations with Vietnam have improved significantly since the early 1990s. In terms of trade, investment, aid, and co-operative relations, it is apparent that Taiwan's economic links with Vietnam have expanded very rapidly, even faster than the island's relations with most other Southeast Asian countries. Although Taiwan's southward policy is aimed at several countries, Vietnam receives the most attention from Taiwan among the nations of Southeast Asia.

Why is Vietnam so special to Taiwan? Business opportunities are only part of the answer. It is this writer's contention that Taiwan's economic relations with Vietnam have political implications because the Taiwan authorities are using the island's economic resources to upgrade Taiwan's substantive relations with Vietnam. As Vietnam responds to Taiwan's political requests, the latter brings more investments and aid to Vietnam.

However, the future of the Taiwan–Vietnam relationship is not bright because difficulties lie ahead. The most serious challenge is from the PRC's political intervention and economic competition. With growing political power and economic strength, the PRC is paying close attention to Taiwan's moves in Vietnam. A second difficulty is the uncertainty

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of substantive relations. Taiwan desires to transfer or upgrade substantive relations to mutual diplomatic recognition, but in reality this is not feasible, at least not in the near future. Finally, Taiwan's own economy is weakening; the golden age of Taiwan's economy is now facing serious challenges. Without the support of economic resources, how will Taiwan's future in the international community unfold? Economic diplomacy is essential to promote Taiwan's political visibility in the world. But to solve the issue of Taiwan's diplomatic survival in the global community, Taipei's ruling leaders still have to contend with their counterparts in Beijing.[26]

NOTES

1. The most important one is the Foreign Investment Law enacted in December 1987.
2. There are many articles on Vietnam's reform policy. See, for example, Kai M. Schellhorn, "Political and Economic Reforms in Vietnam," *Contemporary Southeast Asia* 14, no.3 (December 1992); David H.D. Truong and Carolyn L. Gates, "Vietnam in ASEAN — Economic Reform, Openness and Transformation," *ASEAN Economic Bulletin* 13, no.2 (November 1996):159-68.
3. The average wage of Vietnamese workers in 1994 was about US$40 per month, compared to US$125 in the Philippines, and US$130 in Indonesia.
4. Chung-Hua Institution for Economic Research, *Taiwan's Small- and Medium-Sized Firms' Direct Investment in Southeast Asia* (Taipei: Chung Hua Institution for Economic Research, April 1995), pp.327-29.
5. The cost of land and labour in Taiwan has increased dramatically since the early 1980s, which has driven many local enterprises to move out of the island.
6. South Africa and the Central African Republic switched their diplomatic recognition from the ROC to the PRC in January 1998, reducing Taipei's diplomatic partners from 30 to 28. In early April 1998, the ROC lost another diplomatic ally — Guinea-Bissau — as the latter switched diplomatic recognition to the PRC. However, in late January 1999, the ROC gained another diplomatic partner, in Europe — Macedonia.
7. During the Cold War, Israel, South Africa, and the ROC were the three nation-states isolated by the international political community. Both Israel and South Africa have made diplomatic breakthroughs by respectively, co-operating with neighbouring Arab countries in the early 1980s, and abolishing the apartheid policy in the early 1990s. But, the political dispute between the PRC and the ROC still remains.
8. Albert Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1980).
9. President Lee Teng-hui paid an official visit to Singapore in March 1989 under the address of "President Lee from Taiwan". To this title, President Lee's response was "not satisfied but acceptable".
10. Taiwan and the first five Southeast Asian countries established business-oriented offices to handle bilateral economic and cultural affairs. Singapore, for instance, allowed Taiwan to set up a "Commercial Representative of the Republic of China in Singapore" in March 1970, which was renamed the "Taipei Representative Office in Singapore" in September 1990.
11. In January 1998, P.K. Chiang, Taipei's top economic planner, also led a business delegation with several high-level officials and heads of Taiwanese corporations to four Southeast Asian countries (the Philippines, Indonesia, Malaysia, and Thailand).

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12. Taiwan's trade surplus with Thailand rose from US$1,117 million in 1993 to US$1,330 million in 1997, while the island's trade surplus with the Philippines went up from US$700 million to US$1,000 million over the same period.
13. Although Taiwan's actual investments in Vietnam is much larger than Taiwan's official statistics, this article's analysis is based on government records.
14. See Anne O. Krueger, M. Contantine and Veron Ruttan, *Aid and Development* (Baltimore: John Hopkins University Press, 1989).
15. ICDF, established in July 1996, is the new name for the Committee of Overseas Co-operation and Development Fund.
16. In mid-December 1997, L.T. Hsu, the ROC's former Vice Premier, led a delegation comprising high-level Cabinet officials and owners of several large enterprises to Vietnam. It was reported that both sides reached a consensus to restore the ministerial conference and further expand bilateral economic co-operation (*United Daily*, 14 December 1997). In addition, the ROC's Vice President Lien Chan and Premier Vincent Siew visited several Southeast Asian countries in January 1998. After their return from Southeast Asia they encouraged a second wave of visits to Southeast Asia.
17. In the 1970s and 1980s, Israel and South Africa were isolated by the world community, but they still maintained substantive relations with many countries.
18. For details of diplomatic privileges, see the Vienna Convention on Diplomatic Relations, which was drawn up at a conference organized by the United Nations in March 1962.
19. The office in Hanoi is named the Taipei Economic and Trade Office in Vietnam, whereas the one in Ho Chi Minh City is named the Taipei Economic and Cultural Office in Ho Chi Minh City.
20. These agents are actually diplomats. Their status in the sending states is that of government officials, but they are private or semi-official agents in the receiving states.
21. This agreement was signed between the Vietnam Association of Aviation Companies and the Association of Transportation Companies in Taipei, which allows both sides to initiate direct flights between Taipei and Hanoi and Ho Chi Minh City.
22. By the end of 1997, the PRC's foreign reserves had exceeded US$120 billion.
23. During the Fourteenth People's Congress of the Chinese Communist Party, from 12-18 October 1992, General Secretary Jiang Zemin confirmed China's outward economic development and also pointed to several important economic policies, one of which was to strengthen China's economic and trade relations with Southeast Asia.
24. China Society Publisher, *China Foreign Economic and Trade Yearbook, 1997/1998* (Beijing: China Society Publisher, 1998), p.369.
25. Hun Sen, Cambodia's Second Prime Minister, charged Taiwan with giving military assistance to Norodom Ranariddh, then the first Prime Minister.
26. Koo Chen-foo, chairman of Taiwan's Straits Exchange Foundation, led a delegation of high-ranking officials to visit Wang Daohan (chairman of the Association for Relations across the Taiwan Strait) in Shanghai and then Jiang Zemin in Beijing in mid-October 1998, the highest contact between the two sides of the Taiwan Strait since 1993.

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What Will Become of *Reformasi*? Ethnicity and Changing Political Norms in Malaysia

MEREDITH L. WEISS

Malaysia's economic difficulties and political unrest have stimulated political parties and non-governmental organizations to re-assess efforts in shaping and responding to popular demands and attitudes. The governing Barisan Nasional coalition faces a stiff challenge from the Barisan Alternatif, composed principally of Parti Islam Se-Malaysia, the Democratic Action Party and Parti Keadilan Nasional, which have set aside their differences to unite in the call for Reformasi. *Beyond the elections, however, the larger questions at stake concern the nature of multi-ethnic co-operation in Malaysia, including whether political norms have shifted to allow national-level interests to supercede ethnic-group allegiances, and whether Malaysians of various classes and races prioritize abstract ideals of good governance or more concrete economic and other aims.*

Introduction

The evolution and persistence of the *Reformasi* movement in Malaysia has spurred the ever-prolific cottage industry of political punditry to new records for productivity and ingenuity. The issues churned through the mill have evolved over the past year from Anwar Ibrahim's guilt or innocence to whether the combined opposition forces could get themselves organized, with an array of side issues stealing the spotlight along the way. Now all eyes are focused on the elections, the test of whether the opposition Barisan Alternatif (BA) can hold together and whether the long-dominant Barisan Nasional (BN) can hold its own in the face of perhaps its strongest challenge to date. However,

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the electoral outcome, interesting as it may be, is only a symptom of a larger process of political change. The elections will offer an indicator of what is important to Malaysians today and what the primary lines of cleavage are among voters — in other words, whether *Reformasi* has caused (or at least reflected) real changes in Malaysian political culture or whether the current political goings-on are just a passing frenzy.

This article attempts to assess the shift in Malaysian political culture, putting the *Reformasi* movement in historical perspective to evaluate how voters today differ from voters in the past, particularly in terms of the depth and spread of broadly nationalist sentiment, and evaluating the relative contributions of political parties and civil society actors to this apparent shift. The article begins with a summary of events in the *Reformasi* movement, contextualizing this discussion with a brief analysis of how the current endeavour differs from previous challenges to the BN. It then focuses on the broader picture: the contest between encompassing multiracial aspirations and particularistic ethnic interests, including the tension between the ideals of justice, transparency, accountability, and morality in governance and economistic calculations of individual returns. Next, a theoretical framework is proposed for understanding changing norms of political interaction, taking into account transnational influences and such factors as the proliferation of alternative media, permitting some conjecture about likely electoral outcomes and future developments within both civil society and the broader political order. Clearly, any conclusions offered here can be little more than hypotheses, as political culture is inherently untidy and unquantifiable and the *Reformasi* movement has not yet run its course. These hypotheses may be helpful, however, in propelling the debate beyond the elections and on to the larger issues of the process of protest and the likelihood of political change in Malaysia.

It is important to note at the outset that, in fact, the definition and goals of *Reformasi* have never been monolithic or clearly-defined; the movement actually links a wide array of protesters with divergent aims and concerns under a commodious, if amorphous, umbrella. This article will accept the term as popularly understood: the *Reformasi* movement is the broad-based popular movement for social, political and economic change. *Reformasi* is represented politically by the Barisan Alternatif; in civil society in the conglomerations of non-governmental organizations (NGOs) co-operating across sectors and issue areas, and in the non-government-linked media (especially the Internet) as the groundswell of opposition to Dr Mahathir Mohamad, the parties of the BN and specific laws and policies promoted by the current regime. As Farish Noor explains, "it is precisely because of

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its lack of exhaustive content that the concept of *Reformasi* has become so effective as a tool for political and ideological confrontation": the project's "openness and unfixity prevents any attempt to foreclose or fulfil its promise in narrow and exclusivist terms that would spell an end to its pluralistic and democratic potential".[1] However, Farish concedes that, as the political crisis intensifies and matures, the movement and its leaders will be forced to specify precisely what they mean by "reform", articulating more concrete, pragmatic objectives without alienating certain supporters or losing their broad appeal.

The Events in Brief

The advent of the Asian economic crisis in July 1997 intensified a process of scrutiny of domestic political and economic affairs among Malaysians. As Prime Minister Mahathir Mohamad and his government blamed George Soros, speculators, vague foreign elements "jealous of Malaysia's success", and anyone else at hand, a growing number of Malaysians pointed instead to "KKN" — the dreaded *korupsi, kronisme dan nepotisme* (corruption, cronyism and nepotism) so rampant throughout the region. As the economy deteriorated through 1998, political tensions also began to rise.

Popular indignation mounted with the August 1998 sentencing of opposition Member of Parliament (MP) Lim Guan Eng to two concurrent eighteen-month prison terms. Lim, the Deputy Secretary-General of the mostly Chinese Democratic Action Party (DAP) and son of the party's long-time head, Lim Kit Siang, was charged with sedition and publishing false news. As Kota Melaka MP, Lim had published a statement on behalf of the grandmother of a Malay girl who had charged then-Melaka Chief Minister Rahim Thamby Chik with statutory rape. While the charges against Rahim, a stalwart supporter of Mahathir and his party, the United Malays National Organization (UMNO), were dropped for lack of evidence, the girl was sent to a reform institution.[2] Lim attracted wide sympathy, not only among Chinese Malaysians but also among many Malays, since he had put himself on the line for a Malay girl and her grandmother — a rare occurrence in racially-divided Malaysia. When Lim emerged from prison in late August 1999, a multiracial crowd of supporters greeted him as a hero.

At about the same time as Lim's trial, the Indonesian crisis was heating up, peaking with the riots of mid-May, and Malaysians, especially Chinese, feared that the ethnic violence there might spread. Amid these concerns, in late August a false rumour was spread via the Internet and swiftly disseminated by e-mail, handphones, and word of mouth that Indonesians or Malays (versions varied) were buying *parangs*

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(knives) in Chow Kit, an area of downtown Kuala Lumpur that was the scene of racial rioting in 1969, and were attacking the Chinese. The government arrested four Malaysians and charged them under the Internal Security Act (ISA) for rumour-mongering in spreading this story over the Internet, sparking protest against this use of the ISA. Though the ISA, which allows detention without trial, has long been a key gripe of Malaysian civil society activists, this time it became the centrepiece of a broad-based coalition for political reform, particularly after the ISA detention of former Deputy Prime Minister Anwar Ibrahim.

On 2 September 1998, Anwar was unceremoniously sacked from his posts as Deputy Prime Minister and Finance Minister, and on 3 September, from his positions and membership within UMNO. Though he and Mahathir had long disagreed about aspects of national economic policies and the sacking coincided precisely with the sudden imposition of stringent currency and capital controls, Anwar was ostensibly fired for sexual misconduct. Before charges were even laid, Mahathir explained in graphic detail — horrifying many normally-prudish Malaysians — that Anwar was guilty of adultery and sodomy, and then with trying to cover up the evidence of his many supposed trysts. Anwar's sacking was not really unexpected. Firstly, Mahathir had been giving increasingly greater responsibility for economic policy-making to Daim Zainuddin, now Finance Minister, thus limiting Anwar's power. Moreover, in June 1999, the muckraking book, *50 Dalil Mengapa Anwar Tidak Boleh Jadi PM [50 Reasons Why Anwar Cannot Be Prime Minister*][3] mysteriously found its way into the delegate bags of attendees at the UMNO general assembly. Though Anwar insisted that the claims in the book were defamatory, some of them resurfaced among the legal charges levelled against him. Speculation was rife that Anwar had been planning a coup at the June party general assembly rather than wait for Mahathir to follow through on his promise to hand over power soon. There, Mahathir outwitted Anwar by, for instance, undercutting Anwar's charges of cronyism by revealing that many of Anwar's friends and relatives had also benefited from government largesse.[4]

After his sacking, Anwar was not immediately detained. For the next eighteen days, he toured the country, giving immensely well-attended public lectures on justice, the purported evils of "Mahathirism", the prevalence of cronyism and corruption, the need for social safety nets, and so on. Averring that he had been pressing for change from within and stressing his role in developing low-cost housing and other people-friendly policies while in government, Anwar became a focus for popular frustrations with the government. Before entering UMNO, Anwar had been a student radical, then headed Angkatan Belia Islam

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Malaysia (ABIM) in the 1970s, issuing strident calls for Islamicization and Malay-language education. Detained for two years under the ISA, Anwar was brought into Mahathir's government six years later, in 1982. A number of his old ABIM mates rose (more slowly) with him. Expelled from Mahathir's camp, Anwar was warmly reclaimed by ABIM and other Islamic NGOs. These groups command an immense grassroots network and were able to rouse tens of thousands of mostly Malay youths to espouse Anwar's cause and his calls for *Reformasi*. Opposition parties such as the DAP and PAS also proclaimed their support.

After leading an enormous rally in Kuala Lumpur on 20 September 1998, in the midst of the Commonwealth Games and Queen Elizabeth's visit to Kuala Lumpur, Anwar was finally arrested and detained under the ISA. A number of his followers were also held under the ISA, and hundreds of demonstrators were eventually charged with illegal assembly and related offences. With such a high-profile detainee, opposition to the ISA mounted until under intense domestic and political pressure, the government released Anwar from ISA detention, though still holding him for a variety of sex and abuse-of-power charges. Nine days after his arrest, Anwar appeared in court with serious head and neck injuries. As a Royal Commission of Inquiry concluded in March 1999, Anwar had been beaten in custody by then Inspector-General of Police Rahim Noor, and subsequently kept under the ISA to conceal his injuries.[5] Anwar's much-publicized first trial began in November 1998. He was found guilty on all four (amended) charges on 14 April 1999 and sentenced to concurrent six-year terms for each count. News of the verdict sparked additional demonstrations, spurred on by the heavy-handed attempts of the police to restore calm. Anwar's next trial, on one count of sodomy, began in early May 1999, with other sex and corruption charges still to be heard.

In the meantime, the *Reformasi* movement developed a life of its own, though with "Justice for Anwar" still a potent rallying call for supporters. Before his arrest, Anwar had designated his wife, ophthalmologist and political neophyte Wan Azizah Wan Ismail, his successor as head of the movement. Thriving in the role of selfless wife and benevolent mother to her people and playing up the parallels between herself and the Philippines' Corazon Aquino, Wan Azizah developed an enormous following, attracting thousands to hear her rather banal speeches. For a time, these followers held massive weekend street demonstrations, mostly in Kuala Lumpur, but also occasionally in Penang and other cities, for justice (especially for Anwar) and against Mahathir. The demonstrations met with increasingly harsh measures by the police before largely tapering out by mid-November.

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Serving as a backdrop to these developments were other key events, including the state elections in Sabah in March 1999 and the Japanese Encephalitis/Nipah virus outbreak peaking in March-April 1999. The Sabah elections were significant because the Barisan Nasional retained firm control of the legislature despite a strong effort by opposition parties. Peninsular opposition parties saw the elections as a chance to discredit Mahathir's government, while their local counterparts saw the polls as a last stand against money politics and the racialization of politics in their state under the consociational BN model. Instead, as analysts described, Mahathir claimed victory as a result of gerrymandering, purportedly widespread vote-buying, possible enfranchisement of large numbers of foreign migrant workers, glowing promises of development projects, and frightening threats about what would happen if the opposition won.[6]

At about the same time, a viral epidemic riled up thousands of Chinese Malaysians who claimed that the government was dilatory in dealing with the outbreak and did not fairly compensate affected parties. The outbreak of Japanese Encephalitis (JE) and the newly-discovered Nipah virus was traced to pigs — anathema to Malay Muslims but a RM1.5 billion (roughly US$400 million) industry in Malaysia. It was only after dozens of deaths that the government took action with mass vaccinations and culling of livestock; moreover, the government had no plan for compensation for the owners of the hundreds of thousands of pigs earmarked for destruction. Private-sector contributions funded a lottery and compensation scheme for pig farmers and their families, but did little to alleviate the feelings of neglect and unfair treatment among the Chinese, especially since the lottery scheme was a bitter reminder for many Chinese of the compensation programme during the anti-communist forced resettlement schemes of the Emergency of 1958-60.[7]

Other notable events included the formation by an UMNO Supreme Council member of the short-lived People's Anti-Homosexual Volunteer Movement in response to the suddenly-heightened awareness of things like sodomy in Malaysian society; the proliferation of thriving alternative media, including "webzines", "listservs", news magazines and political party organs; not-so-subtle threats by the government that if Malaysians — especially Chinese — supported the opposition, Malaysia would become as riot-torn and bloody as Indonesia; and, of course, increasingly shrill condemnation of an array of nefarious foreign influences and conniving Westerners, not least among these being U.S. Vice President Al Gore, champion of the "brave Malaysians" of the *Reformasi* movement.

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Over the course of events, the *Reformasi* movement has attracted a wide range of supporters, whether active or passive. Although the majority of the *Reformasi* activists are young, middle-class Malay men, and the movement is not as multiracial and egalitarian as its leaders proclaim, a significant number of Chinese and Indian Malaysians are involved. Many of these non-Malays are Western-educated members of advocacy-oriented NGOs. However, after long deliberation, a few dozen Chinese-speaking community leaders and professionals, "believed to be backed up by 70% of the resources and networks of the [C]hinese associations nationwide",[8] also joined Wan Azizah's Parti Keadilan Nasional *en masse* in late May, together with about 3,000 other Chinese members. Moreover, among the more comprehensive documents detailing specific reforms demanded are two that originated with Chinese activists: the "People are the Boss" declaration[9] and the Malaysian Chinese Association's Election Demands,[10] both promulgated in mid-August 1999.

While women of all races are involved in the *Reformasi* movement, few play leading roles. The exceptions are Wan Azizah and people such as Irene Fernandez, a long-time NGO warrior for the rights of the downtrodden. Recently, an array of women's groups and activists launched the Women's Agenda for Change (WAC), which is quite a radical document by Malaysian standards, listing specific steps to be taken to address gender inequalities and general problems in such areas as labour, religion and culture, sexuality and domestic violence, among others. The details of what is to be done by the WAC are still being worked out, and the Agenda's launch drew surprisingly scant attention, even in *Reformasi* fora. Supplementing but separate from the WAC is the Women's Candidacy Initiative (WCI), a campaign to boost women's political involvement, encourage women and men to support female candidates, and get a women's candidate — NGO activist Zaitun Kasim — elected to Parliament. However, while a pioneering effort, the WCI, too, has received limited attention so far.[11]

Both political parties and non-governmental organizations are involved in the *Reformasi* movement. Initially, two main coalitions were formed, the Gagasan Demokrasi Rakyat (Gagasan) and the Majlis Gerakan Keadilan Rakyat Malaysia (Gerak) consisting of an overlapping range of NGOs and political parties, including the DAP and PAS. Gerak, headed by PAS, included more Islamic groups than NGO-led Gagasan. Both coalitions were officially launched on 27 September 1998, although Gagasan was first conceived in 1997 as a unified opposition electoral platform in response to the economic crisis. Both focused on human rights and democracy although Gerak was intended as an issues-oriented

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coalition directed mainly at the ISA. Over the course of about six months' energetic agitation, Gerak attained a much higher profile than Gagasan, but by mid-1999, both coalitions were largely defunct, having been superceded by the Barisan Alternatif.

Both Islamic-oriented NGOs (IONGOs) and secular issue-oriented NGOs, including human rights, women's rights and other advocacy organizations, are active in the *Reformasi* movement. However, collaboration between these sectors tends to remain at a rather shallow level. The underlying motivation for the IONGOs is religion and their focus is on moral accountability and often pro-Malay policies. The other advocacy groups are centred around specific, non-ethnic issues, phrased usually in universalistic terms. In addition, the membership of IONGOs is almost exclusively Malay Muslim, with some degree of gender segregation, and most communications are in the Malay language. The advocacy groups are mostly Chinese and Indian in leadership and membership, are more gender-neutral and operate mostly in English. All espouse *keadilan* (justice), but with differing rationales, so that when members of the different kinds of NGOs co-operate, it is often in their alternate roles as party or electoral coalition workers.

Bridging the gap between IONGOs and secular advocacy groups was supposed to be Pergerakan Keadilan Sosial (Adil, Movement for Social Justice), launched by Wan Azizah and long-time activist Chandra Muzaffar in December 1998. While Adil's aims were basically the same as Gagasan's and Gerak's — justice, democracy, free press and the like — individuals could join Adil, whereas Gerak and Gagasan were coalitions of groups. Adil claimed 60,000-70,000 "endorsers" although its bid for registration was never approved.[12] Several months later, however, Adil formed the basis for a political party, Parti Keadilan Nasional (PKN or keADILan). Putting to rest months of speculation about whether she would remain just in Adil, join PAS, take over PRM, or try to stage a coup in UMNO, Wan Azizah launched PKN in April 1999 as a multiracial (though mostly Malay) alternative to UMNO. Anwar is not a member, purportedly so that he can better forge co-operation among parties without being linked to a single party, but PKN is clearly centred on him. The party has so far attracted approximately 200,000 members, mostly Malays, including many young voters.[13] Although Adil was to persist alongside PKN, given the exigencies of the elections, PKN has basically superseded the original body.

After much deliberation, the allied opposition parties announced in June their plans to contest as a Barisan Alternatif (BA) in 192 parliamentary constituencies. The coalition's primary components are PKN, PAS, the DAP, and Parti Rakyat Malaysia (PRM).[14] Despite Wan

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Azizah's popularity, PAS still stands as the primary beneficiary of *Reformasi* activism. With its calls for justice through Islam, PAS' membership has grown from 500,000 in September 1998 to about 700,000 a year later.[15] The main stumbling block to opposition co-operation in the past had been that PAS, Malaysia's strongest opposition party, had always advocated the establishment of an Islamic state in Malaysia, including at least partial imposition of *hudud* (Islamic criminal code) laws. While non-Muslims would have full civil rights, including freedom of religion, as non-Muslims their political rights would be limited.[16] The other significant opposition parties in Malaysia, particularly the DAP, are opposed to the idea of an Islamic state. Now, however, PAS claims that it is willing to shelve the Islamic state concept for the time being for the sake of co-operation against a common opponent.[17] Since the formation of the PKN, however, PAS has been reasserting its Islamic image: party leaders have declared that if PAS comes to power, the government will restrict the sale of alcohol and ban gambling, not just for Muslims; the party is also arguing for the installation of its President, Fadzil Noor, as Prime Minister if the coalition forms the government, rather than Anwar Ibrahim as suggested by PKN.[18]

For Chinese voters, the main opposition party remains the DAP, despite some degree of internal dissent and opposition to long-time leader, Lim Kit Siang. For instance, several former DAP stalwarts established the Malaysian Democratic Party in early May 1999 (with little impact) and the DAP took umbrage in early June when the PKN admitted two anti-Lim DAP members and ex-leaders. Moreover, many DAP supporters are less than keen on co-operation with PAS, not trusting PAS' downplaying of the "Islamic state" issue. However, in Malaysia's system of racially-oriented political parties, lacking other options, Chinese opposition voters may still endorse the DAP, notwithstanding reservations.

Despite these machinations, UMNO denies feeling threatened, although sentiment within the party is divided. A large, though unquantifiable, number of even party leaders are "Anwaristas", while others may not have supported Anwar but feel that it is time for Dr Mahathir to step down. Surveys, including purported Special Branch reports leaked by civil servants, suggest that as many as 80 per cent of civil servants, Malay voters overall, or UMNO members do not support Mahathir.[19] Nonetheless, opposition to the 74-year-old Mahathir will not necessarily translate into opposition to UMNO. As the lead partner in the ruling BN coalition, UMNO has been in power since independence and is thus a known quantity, able to give plausible promises of stability

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and patronage. Moreover, the persuasive and persistent Mahathir has been working assiduously to regain support, no doubt with much success.[20]

Ultimately, it is likely that some degree of discontent, including a bothersome number of defections to opposition parties, will stimulate UMNO and the other BN parties to allow some degree of reform,[21] but UMNO and its partners will still be a serious force. Apart from the opposition's qualifications and programmes, political inertia is sustained by the BN's emphasis on developmentalism, including "an appreciation for political stability that increasing numbers of Malaysians believe only a strong state governed by the multi-ethnic Barisan Nasional can guarantee", despite long-simmering (and now boiling) discourses of democracy and reform.[22] Moreover, given the way in which electoral constituencies are drawn, the BN can maintain its grip even if it loses a substantial proportion of the vote. For instance, the BN won 70.6 per cent of parliamentary seats but only 51.95 per cent of the popular vote in 1990, and 84.3 per cent of seats with only 65.05 per cent of the popular vote in 1995.[23] Most effective in maintaining the party's supremacy, however, is the BN's control of government machinery and the media, which effectively hobbles the opposition.[24]

The Broader Context

Despite sensational accounts by local and foreign media, splits in UMNO, opposition coalitions and NGO politicking have all happened before. As Shamsul A.B. describes, there have been "a number of serious conflicts within the UMNO top leadership, almost in every decade, since its establishment as a political party in 1946".[25] These struggles include contests for leadership posts (including Anwar's challenge against Ghafar Baba for the UMNO Deputy Presidency in 1993), disagreements — sometimes severe — with coalition partners, the "Battle Royal" in UMNO in 1987 and the party's deregistration in 1988, cases of corruption and "money politics", and a series of financial scandals.[26]

Opposition coalitions are not new, either. For example, in the 1990 elections, with support from a range of NGOs, opposition parties formed two coalitions, one Islamicist, the Angkatan Perpaduan Ummah (APU), and one multiracial, Gagasan Rakyat Malaysia (Gagasan). The linchpin of these coalitions was Semangat '46, a splinter party from UMNO established in the late 1980s by Tengku Razaleigh, a popular Kelantanese leader and member of the royal family. Semangat '46, PAS, and two smaller Islamic parties joined forces in APU to improve their respective images and chances. However, while PAS advocated an Islamic state

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with all aspects of life governed by religious codes, Semangat '46 preferred a secular government, with Islam only as the country's official religion. Gagasan, comprised of Semangat '46 (the acknowledged leader of the coalition), the DAP, PRM, the new All Malaysia Indian Progressive Front (IPF), and the small Malaysian Solidarity Party (MSP), contested primarily on the west coast and in the south with the theme, "Save Malaysia". Gagasan urged voters to deny the BN its two-thirds majority and to usher in instead a two-party coalition system that could check government abuses and mitigate the neglect of rural peasants, oppression of workers, human rights violations, corruption and money politics, manipulation of religious and ethnic differences and encroachment on the rights of the people of Sabah and Sarawak.[27]

In the end, the BN maintained its two-thirds majority in Parliament but lost control of the state legislatures in Kelantan and Sabah.[28] Despite their high hopes, APU and Gagasan failed to realize significant gains. With relative stability and a strong economy, the electorate preferred continuity, especially since the BN reminded voters that voting for the opposition could result in a recurrence of the 1969 ethnic conflagration. The BN also insinuated that Parti Bersatu Sabah, a Christian party, wanted to promote the religion in the state and ultimately, the country, and that Semangat '46 had betrayed the interests of Malays and Muslims by collaborating with Christians.[29] Moreover, the BN controlled both the timing of elections and state machinery, including all major print and electronic media and funds for development projects and, reportedly, vote-buying. Patronage ties and reverence for authority further dissuaded Malay voters from supporting the opposition. Finally, Semangat '46, in particular, lacked the media resources to explain its alliance with PBS and the DAP, how it was different from UMNO or why Malay voters should risk upsetting the status quo, not to mention lacking funds for patronage.[30]

The remnants of those coalitions resurfaced in the 1995 general elections, but with a weaker level of co-operation and co-ordination, and with even less effect. PAS' reassertion of its Islamicization programme with its attempt to implement *hudud* laws for Muslims in Kelantan thwarted collaboration, particularly between PAS and the DAP. The DAP left Gagasan, which subsequently collapsed, claiming that its ties with Semangat '46 were seen as indirect support for PAS' legislation. The DAP was also troubled by a leadership crisis and internal squabbling. Moreover, amidst defections and intra-party disputes, Semangat '46 incorporated the term "Melayu" into its name to increase the party's efficacy in the rural areas, in the process eroding non-Malay support. In addition, the IPF applied to join the BN and most of the PBS' senior leaders defected to the BN. Although the opposition parties

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co-operated to some extent — 136 of the 181 parliamentary seats they contested were straight fights — feuds were apparent, as between PBS and the DAP, which contested against one another both in Sabah and the peninsula.

The BN charged that the opposition parties' manifestos and speeches were racial in nature and that PAS distorted Islamic doctrine to split the Malays and jeopardize racial harmony. The BN also ran a much more efficient and organized campaign than any of the opposition parties. In the end, the DAP suffered extensive losses, Semangat '46 and PAS did poorly everywhere but in Kelantan, and the PBS made no impact outside of Sabah (and there not in Muslim-majority seats). The BN drew considerable support from traditionally more opposition-minded non-Malays and benefited not only from its control of money, media, and machinery, including Mahathir himself (the "4Ms"), but also from the 1993 electoral redelineation exercise.[31] Now, Semangat '46 is no longer active; Razaleigh dissolved the party in 1996 and, together with many of his one-time fellow dissidents, has since been re-absorbed into UMNO, although many ex-Semangat '46 members are also said to have joined the PKN or PAS.[32]

As for the political role of the NGOs, Anwar began as a student activist and went on to head the nascent ABIM in the early 1970s, most prominently in support of a peasant protest in Baling, Kedah, in 1974. The government cracked down on this protest, jailing a number of activists and reinforcing legislation prohibiting students from engaging in political activities. However, ABIM continued to maintain a political presence, unofficially supporting PAS or UMNO on specific issues. In the mid-1980s, a range of NGOs stepped up their campaigns against particular government policies and attempted to convince voters to demand better governance. Once again, to forestall electoral repercussions and to dissuade individuals from opposition party or NGO activism, the government suppressed the movement in late 1987 with Operation Lalang, which included both the mass arrest of NGO activists (together with church workers and critical politicians) and the suspension of critical media.[33] NGOs also played a role in promoting Gagasan Rakyat Malaysia in the 1990 elections, primarily in raising voter awareness and mobilization.

Despite similarities, the current unrest does differ in important ways from previous protest movements. The most obvious distinguishing characteristic of the *Reformasi* movement, including the progress of the BA campaign, is its broader scope, both in terms of issues and adherents. Like the protests in the mid-1980s, this movement was spurred on by economic recession, which highlights weaknesses in the developmentalist agenda, such as the inadequacy of existing social

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safety nets, including the extent of "money politics" and various forms of corruption. These issues have been picked up by the mass public, rather than staying confined as usual to a narrow band of urban activists. As in the past, the existence and application (actual or threatened) of the ISA, the University and University Colleges Act (UUCA), the Official Secrets Act (OSA), and other legislation have also attracted the ire of protesters, but again, this time not just among activists or a single affected community. Given the prominence of ABIM, Jemaah Islah Malaysia, and other Islamic groups in the movement; the development of the *dakwah* (Islamic revival and proselytization) movement since the 1970s; and the fact that Anwar was considered the champion of Islamicization within UMNO and had a substantial personal following, the political role of Islam is also a key *Reformasi* issue. However, while this is not the first time PAS has attempted to collaborate with the DAP and other non-Islamic parties, a layer of younger, apparently progressive and well-connected leaders have rendered the party's claims to moderation more believable than in recent years and facilitated mutual understanding and co-operation.

Perhaps most significantly, however, the impact of the New Economic Policy and the National Development Policy since 1971 can now be seen in the existence of a large, well-educated, urban Malay middle class.[34] It was among this group — spanning university students, professionals, *dakwah* activists, academics and others, both male and female — that *Reformasi* really began, although it has since spread to a wider audience. In fact, this Malay middle class is part of a multiracial urban electorate sharing similar concerns and priorities and interacting more intensively and extensively than in the more segregated rural areas, not only in person, but also through the Internet and other media.

However, Mahathir's treatment of Anwar and other *Reformasi* issues struck a chord elsewhere, too. Prompted by a spate of opposition *ceramah* (public lectures) and campaigning, Internet discussions, visits home by urban activists, mainstream mass media accounts and first-hand gripes over economic issues or neglect by BN parties, rural Malays and urban and rural non-Malays have also expressed their sympathy and support for *Reformasi*. The movement thus spans the country — although it remains much weaker in Sabah and Sarawak and strongest in Kuala Lumpur and other urban areas, with different issues ascendant in different constituencies. Not just content to watch and grumble from the sidelines, unprecedented numbers of Malays and a not insignificant number of non-Malays, have taken to the streets for dozens of demonstrations, vigils and marches, signalling a deeper level of commitment and/or a higher sense of frustration and disempowerment than in

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previous moments of protest. The current movement is thus broader-based than most prior campaigns and, notably, is especially popular among newly- or not-yet-enfranchised youths.

Malaysian Political Culture(s)

More than just economic issues and personalistic campaigns, *Reformasi* activists claim to be pressing for a shift in the bases of politics — that is, a change in political incentives and goals and, more broadly, in political culture. As such, the movement highlights the contest between multiracialism and ethnic identification and between demands for good governance and the desire for economic maximization and stability rather than the risks of change. Moreover, despite Mahathir's aspirations in *Vision 2020* for the development of a *bangsa Malaysia* (Malaysian nation or race), Malaysia has never had a single monolithic political culture. However, in encouraging genuine multiracial, issue-based co-operation, *Reformasi* leaders are advocating such a political culture.

The political culture of Malays is often characterized as neo-feudal; with *Reformasi*, perhaps that description is no longer completely apt. Pundits still cite the sixteenth century court chronicles *Sejarah Melayu* in explaining Malay political behaviour. In exchange for unflinching loyalty, even in the face of blatant immorality or wrongdoing, the leader will not shame his subjects. Mahathir is seen to have violated that pact by shaming Anwar; thus, Mahathir's subjects need not remain loyal. The fact that this justification is often offered for the current unrest suggests that at least some aspects of the neo-feudal outlook remain strong, otherwise, it would not require shaming for protest to be valid. Nonetheless, Malays are responding politically far more openly than usual — street protests, anti-government videos, and T-shirts, and fearless endorsement of opposition options are hardly typical. The *Reformasi* movement indicates that Malays are demanding a higher level of accountability and transparency than before, although it is not certain whether these idealistic aims will supercede calculations of personal self-interest in voting decisions.

Nevertheless, given that the Internet and other awareness-raising media will not fade into obscurity even when Anwar has, these demands for openness and good governance are likely to be sustained, with possibly serious implications for the nature of patron–client ties, the continuance of crony capitalism, and the bases of popular evaluation of politicians. However, vestiges of the neo-feudal culture will also persist beyond the present crisis and the press will not instantaneously be made "free", hampering citizens' evaluation of their government.

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Whatever the outcome of the elections, rumour-mongering and "coffee-shop talk" — whether in person or over the Internet and handphones — will probably remain more vibrant and even more accurate than the mainstream media. As social critic and writer Amir Muhammad suggests, "A consequence of organizing society along semi-feudal lines, where unswerving loyalty is expected, is that the public can only react by using the semi-feudal, anti-intellectual methods of hearsay and rumour. So although the local papers frequently trumpet their 'responsibility,' there are times when we simply have no choice: There could be a day when we believe everything they tell us, but for now we'll keep on chatting."[35]

As the WAC and WCI intimate, women could play a pivotal role in elections and become far more politically aware and engaged than previously. In general, women's political activism has long been assumed to be constrained by housewifely worries that leave them little time for dabbling in politics, at least outside the parties' women's wings, coupled with a lack of interest in political affairs. Now, Malay women, in particular, may be spurred to political activism by the prominence of Wan Azizah and her eldest daughter, Nurul Izzah. However, while Wan Azizah's leadership of the PKN is noteworthy, she has not really styled herself as a new model for women's political participation, as she justifies her leadership in terms of being a mother to her people and a good wife who is standing in for her husband only until he returns. As for the question of whether PAS could truly endorse a female candidate or leader, while the leadership of PAS and Muslimat, the party's women's wing, was prepared to support Wan Azizah as an exceptional case, opinion seemed more divided among PAS supporters. Wan Azizah could be more easily revered as the feisty and dedicated wife of Anwar than obeyed as a Prime Minister.

What suggests that women, Malay and non-Malay, are really not more politically liberated now than previously, despite Wan Azizah, is that while substantial numbers of women are involved in *Reformasi* activities, it is still really the men who are in charge at *Reformasi* events, in political parties, and even in NGOs (except, of course, in women's groups, several of which have been quite active in the *Reformasi* movement). In short, although the WAC and WCI indicate women's potential for substantive, well-organized lobbying and campaigning, the potential impact of these initiatives on what may be considered women's political culture may be limited.

As for non-Malays (both men and women), especially the Chinese, they have long had a tradition of political activism, including widespread support for opposition parties ranging from the now-defunct Malayan Communist Party in the 1950s to even PAS on occasion.

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Moreover, the Chinese media have always been relatively less censored than the Malay or English language media, so that critical views or sensitive information have been more openly aired in the Chinese press, probably enhancing a culture of reasonably free criticism and debate within the community. Moreover, with nearly one-third of Malaysians being Chinese, no Malay-based party can rule without some degree of Chinese co-operation, thus giving the community some bargaining power. However, Chinese political engagement has declined in the past decade; economic growth has encouraged support for consistency and stability, and thus the BN.[36] The JE/Nipah epidemic highlighted another facet: many Chinese Malaysians feel that the government is largely by and for Malays and thus expect relatively little from it. When the viral epidemic struck, only grudgingly did the government offer a nominal payment of RM50 per culled pig to supplement the volunteer efforts already begun by the Malaysian Chinese Association (the primary Chinese party in the BN), opposition parties and other organizations. In other words, the primary recourse for non-Malays remains the ethnic community; perhaps for non-Malays, the electoral arena will never carry quite the same weight as for Malays.

Moreover, however vociferously *Reformasi* leaders endorse multiracialism, Gerak, Adil and PKN were or still are very much Malay entities. Non-Malays may join but generally do not, largely because most see the Anwar issue, which still dominates *Reformasi* rhetoric and imagery, as an intra-Malay or intra-UMNO (and only peninsular) struggle. While non-Malays are also calling for justice, a free press, the repeal of undemocratic laws, and so on, their justification for these demands has little to do with Islam or Anwar and thus differs substantially from the dominant Malay/Islamic opposition perspective. As a result, the depth of interracial co-operation remains constrained, with implications for the evolution and spread of common political ideals and norms. It is not a new development for the non-Malay opposition to be willing to try out a partnership with Malay parties; it is only if this current relationship proves more than a marriage of convenience, and is able to survive election strategizing and possible disappointment at the polls, that opposition coalitions will have shifted into a new phase. So far, at least the consensus among observers and participants is that this time, popular attitudes have really changed, allowing more meaningful and sustainable co-operation than previously both for the elections and on more enduring issues.

Importantly, just as the public is demanding stronger checks and balances, mandating a vibrant civil society to monitor the government, civil society may be weakening itself for the sake of the opposition electoral coalition. At present, many of the advocacy-oriented NGOs

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that have been struggling against, or in spite of, the state for so long are vying for a role in the government or abetting opposition parties in their search for common ground. Thus, as parties such as the DAP and PAS downplay their differences and emphasize their shared aims, NGOs are doing the same, joining in the fight for "justice" by presenting a united front. However, many of these groups are advocates for very distinct communities or aims, and are currently subordinating their primary aims to the more diffused goals of *Reformasi*. Issue- or constituency-oriented coalitions may be more appropriate than election-oriented ones for NGOs, and the *Reformasi* movement may be so broad that, under its aegis, NGOs accomplish very little. Moreover, although their NGOs have generally remained officially non-partisan, a number of prominent activists from human rights, women's, and Islamic organizations have clearly cast their lot with a political party or campaign.[37] Meanwhile, the NGO Adil has metamorphosed into a political party, the PKN. In short, the maturation and expansion of political society could potentially be at the expense of civil society.

Theorizing Current Developments

The scope, depth and persistence of the *Reformasi* movement suggest that Malaysian politics is changing, with an augmented multiracial bent complementing a more widespread focus on values rather than payoffs. These changes can be viewed as symptoms of the development of a new set of political norms. Spurred on by comparable processes elsewhere in the region and aided, at least in the short-term, by the proliferation of alternative media, this process *will* result in political change, whether or not the effects are apparent in the outcome of the upcoming elections. Focusing more theoretically on the process rather than the current manifestations of change allows the generation of hypotheses, however tentative, about future trajectories for electoral outcomes, civil society development, and most importantly, popular political culture(s).

Apart from the important fact of the BN's control of government media and machinery and alleged "dirty tricks" in the course of campaigning, past opposition coalitions have failed because voters' norms had not altered to a sufficient extent. This rigidity impacted on voters' confidence in the ability of the alternative coalition to hold together and govern competently. In addition, despite some degree of dissatisfaction with their payoffs, most felt that Dr Mahathir and his team had not really lost their mandate to rule. Even now, it may take several more rounds of negotiations and elections before many voters develop sufficient trust in a new multiracial coalition to shift their

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vote from the BN to the opposition. These deliberations represent the establishment of common political norms, relying upon conditions of reciprocity, reputation and trust to facilitate mutual understanding and co-ordination of efforts. The process of developing these new norms can be understood through a new, behavioural, approach to the rational choice theory of collective action developed by political scientist Elinor Ostrom. Professing a need to expand the range of rational choice models used in studying social dilemmas and collective action, Ostrom explains that building these conditions of trust, reputation, and reciprocity can help overcome the temptations of short-run interest and improve results in collective action trials.[38] This model may shed light on the deeper dynamics undergirding *Reformasi* and other protest movements in Malaysia.

The prevailing political order in Malaysia is represented by the semi-consociational model of the BN, with race-based parties sharing power unequally. However, the norms now developing among Malays draw upon experience within civil society, including a history of interaction among members of the same and different ethnic groups. The effort of the opposition partners within the nascent BA to articulate a multi-ethnic alternative to the BN model is only the latest in a sequence of ill-fated attempts to centre politics around issues rather than communalism through the institutionalization of a stable, competent coalition among purportedly non-race-based parties.

What makes political change more appealing now is that, as Rustam Sani suggests, Dr Mahathir has remained unattuned to the new political culture emerging in the late 1990s, still operating in a 1960s political framework in which feudal elements and patronage assured that the abrupt sidelining of someone like Anwar by the party leader would not precipitate a crisis since the leader was presumed to be right or, if necessary, could avail himself of some state institutions to quell dissent. Now, as society has changed, so has political culture, particularly among the younger generation, spurred on by new information technologies and globalization processes. Sustained not by any one individual or party, the movement must draw its strength "from a popular rejection of — a refusal to remain satisfied any longer with and accept — the political approach and styles of communication of recent, but still residually feudal, times".[39]

Particularly in the Malaysian context — where both civil society and local government are weak in relation to state and especially the federal government and where coalition partners are usually determined before rather than after elections — protest or reformist movements rapidly gravitate towards election-minded bargaining. However, the building of electoral coalitions occurs on several levels, not just among

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parties or their leaders. As exemplified in the progress of the *Reformasi* movement, while opposition parties negotiate among themselves concerning the allocation of benefits (primarily parliamentary seats for which each will contest) and standards for coalition-level rhetoric, individual voters negotiate with parties to see if they can trust a non-BN leadership to deliver desired abstract and material goods. At the same time, NGOs negotiate with both political parties and voters, serving as facilitators for voter–party communications while encouraging the adoption of a new set of political values (the specifics of which vary, with the main division being between Islamic and secular organizations) and educating voters about the inefficiencies of corruption, the requirements of democracy, and the failings of the current regime.

Building trust between more-or-less race-based parties and among members of different ethnic groups, particularly between Islamicist and non-Malay parties and individuals, NGOs have taken the lead in explicating and demonstrating a multiracial alternative. Most Malaysian NGOs are at least as race-based as any political party. However, these NGOs' constitutions or mandates are generally phrased in non-ethnically-specific terms. They organize more often around issue or ideological grounds than around race *per se* and they have demonstrated their ability to work together — regardless of ethnic make-up — on advocacy-oriented campaigns, particularly around such *Reformasi* hot topics as human rights and constitutional liberalism. More than just demonstrating the possibility of focusing on non-racialized issues, NGOs have also initiated broad-based coalitions of both political parties and NGOs, such as *Reformasi*'s Gagasan. Finally, a range of NGOs have contributed respected leaders to political parties, especially the PKN, PAS and PRM in the past year. Having established reputations as reliable, committed and not self-interested, these transplanted leaders give credence to opposition parties' claims to deliver the newly-valued goods of clean, efficient, more participatory government.

Racial dynamics may play themselves out differently in political society (political parties, legislatures, bureaucracies, and so forth) compared to civil society (NGOs and less organized sites of citizens' interaction outside the family). For instance, the *Reformasi* movement has seen much closer co-operation among Malay and non-Malay NGOs than previously, particularly on issues of civil liberties and human rights, including reasonably progressive statements on women's rights. Class tends to be a more salient factor in defining constituencies and issues in civil society than race, primarily because of the urban middle class background of so many NGO activists. Even if the process is mainly contained within one socio-economic stratum — middle to upper-middle class professionals — ethnic barriers are being conveniently ignored in

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face-to-face inter-NGO negotiations. These meetings among politicized individuals build social capital, fostering trust and understanding among ethnic groups, which can facilitate the development of multi-ethnic political parties or electoral coalitions.

The translation of this multi-ethnic experience is not a simple process, however, given that the aims of NGOs and parties are different. The NGOs in the *Reformasi* movement are fighting for such public goods as accountability and transparency, plus women's rights, equitable economic development, and so on. Apart from religious perspectives on gender and the like, the salience of these issues is not confined to any one ethnic, class or gender group. Negotiations among political parties, on the other hand, ultimately devolve to seat allocations and policy statements on concrete issues, such as whether to continue pro-Malay affirmative action policies or whether the state should support mother-tongue primary and secondary education. Regardless of how multiracial (or not) the PKN is or the BA claims to be, seat allocation decisions are still openly made on the basis of race. Moreover, the development of more unifying norms could be forestalled if a more explicitly class-based order coalesces. Indeed, the "us versus them" rhetoric now dominating oppositional politics is not so much racialist as classist: poor and middle class versus wealthy (presumed cronies), with the multiracial middle class dominating both the opposition parties and NGOs.

Ultimately, however, in line with Ostrom's conception, it is the individuals' mindsets — norms, trust in other players, and expectations of reciprocity — that determine the progress of coalition-building. Socialization to political norms and values in Malaysia occurs primarily within the ethnic group. Individuals are more prone to trust members of the same ethnic group; monitoring transactions and sanctioning defectors is easier within than among ethnic groups; and given language factors, trust-building face-to-face communication is also simpler among members of the same ethnic group. The process of change under way in Malaysia represents an attempt to bridge the gap between racially-specific political norms; successful coalition-building among multiracial opposition parties requires the development of a new "Malaysian" set of norms and expectations, distinct from the Malay-centric and patronage-dependent order under the (multiracial but Malay-dominated) BN.

At the same time, regional developments have encouraged new approaches to collaboration and politics in general by providing examples of activism, including evidence of the danger of particular social and institutional arrangements. Malaysian and foreign observers have been eager to find parallels between *Reformasi* in Malaysia and

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protest movements in Indonesia, the Philippines, Thailand, and elsewhere. By far the most common point of reference is the *Reformasi* movement in Indonesia. Clearly, Indonesia's political and social upheavals have had at least some demonstration effects in Malaysia, both as a catalyst for activism and as a deterrent against upsetting the status quo. Seeing a neighbouring country overthrow its leader in the name of justice has provided inspiration and concrete tools, such as the catchphrase "KKN" and even the name, "*Reformasi*". At the same time, Dr Mahathir has effectively used the spectre of Indonesia — riots, looting, and rapes — to frighten Malaysians, especially the Chinese. Warning that support for *Reformasi* objectives or opposition parties invites racial unrest and violent upheaval, Dr Mahathir has probably convinced at least some voters not to try their luck with the opposition.

While the Malaysian and Indonesian events bear some similarities, these cases are in fact very different in scale, scope and processes involved. In both countries, political unrest was spurred by economic crisis. However, the far more severe economic crash in Indonesia and the greater involvement of the International Monetary Fund (IMF) has meant that Indonesian protesters have had less to lose and have been more desperate than in Malaysia, where economic issues have been less fundamental to protests, apart from diatribes against high-level cronyism and bailouts, and grievances such as the hike in toll rates on privatized highways.[40]

The Malaysian and Indonesian cases are more comparable in terms of the role of Islam. Both countries have been undergoing a religious revival since the 1970s. While Malaysia has never experienced the type of religiously-motivated violence as in Indonesia and has had no significant instances of racial violence for thirty years, both countries have long had mass-based Islamic organizations and Islamic political parties. Mobilized through groups such as Nahdatul Ulama in Indonesia and ABIM in Malaysia, Muslims, especially young, middle-class proponents of the *dakwah* movement, are seeing Islamic parties and quasi-theocracy as a viable political alternative. While the ultimate electoral fortunes of PAS and its Indonesian counterparts are yet to be determined, these parties will undoubtedly remain stronger than in pre-*Reformasi* times for years to come.

Another similarity between the two cases is the role of the alternative media, especially the Internet. Dr Mahathir has frequently criticized the foreign media for sensationalizing and hence furthering unrest in Malaysia. Indeed, foreign press reports are spread widely and rapidly — together with highly critical articles and commentary by Malaysians

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— via the Internet, a revolutionary medium that allows the fast and free flow of both accurate and exaggerated information. Demonstrations and *ceramah* are advertised over the Internet, photos of events and personalities are posted, transcripts of speeches are widely disseminated, treatises on Islam are highlighted, and more.[41] Together with handphones and faxes (also important in Malaysia), the Internet has played a similar role in Indonesia, facilitating students' and other networks and spreading information about the wrongs of Soeharto and his cronies within and outside the country.

While the cultivation of informed, engaged "netizens" has prompted encomiums for the capacity of new technology to facilitate civic education and mass mobilization, the effects of the Internet on the development of social capital may in fact be mixed.[42] Political parties and NGOs have long realized that face-to-face communications are most effective for conscientization and mobilization and may be the only way to reach certain constituencies. Internet-based communications can thus be only a supplement to, not a replacement for, more traditional *ceramah*, fora, house-calls and poster and flag campaigns. However, the Internet has come to play an important role in political awareness-raising and socialization, particularly among young, urban, middle-class citizens. Internet communication does facilitate cross-racial communications and anonymous venting (hence individuals may communicate more freely than previously), except for the fact that Malay-dominated fora tend to use the Malay language, while non-Malay-dominated ones (also frequented by some Malays) are in English.

What is worrying is that these "virtual" communications could simulate the computer-based signalling of intentions that Ostrom explains is not very effective in establishing trust and reciprocity,[43] particularly once the novelty of websites and on-line discussion fora wears off. Relying on these channels, younger voters may develop political priorities or attitudes in their formative years without the benefit of reading non-verbal cues among leaders and fellow voters. Moreover, netizens are subject to a barrage of unfiltered information from uncertain sources, making critical evaluation of the perspectives and data presented difficult. In addition, in choosing their chatrooms, discussion lists, or other Internet venues, voters select a "virtual community" in which they feel comfortable and accepted rather than being forced to find a niche and ways of interacting in the more complex "real" (socio-politically defined) community.[44] Socialization towards political mores may develop a new dynamic, then, with a broader, but less personalized, set of influences on citizens as they learn political norms and evaluate their leaders and political system.

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Conclusion

The progress of the *Reformasi* movement so far suggests that common Malaysian political norms are still developing. Such norms have been adopted by particular strata within the various ethnic communities, particularly academics, NGO activists and (unless they are simply posturing for the elections) leaders of the various opposition political parties. However, popular political culture has not yet fully shifted away from racial identification and the attendant political preferences. Moreover, cynics who scoff at the likelihood that the average Malaysian will choose transparency, accountability, and "justice for all" over a proven record of economic development (the "Asian flu" aside) and relative stability are probably right.

However, as part of an historical evolution towards a new way of approaching politics, the long-term impact of *Reformasi* could be significant. Current manifestations indicate a change in Malay political culture away from blind loyalty and clientelism and towards more critical engagement with political processes, the development of an opposition coalition with a chance of upsetting BN dominance and hence ushering in a more liberal form of parliamentary democracy, and a shift towards a multiracial coalition in which communally-defined issues are less salient. Furthering these goals requires that the majority of voters accept new, issue- rather than race-oriented norms of political interaction, a process which could take quite a long time.

For the time being, however, even if the BA sustains enough support to obtain a good share in the elections, the political order will probably not change very much. The coalition is still racialized in practice and has not really articulated a new model of development or concrete means of ensuring that standards of good governance are met. Moreover, the issue of Islam has yet to be resolved conclusively; a temporary agreement to co-operate in the short-term is insufficient as a basis for enduring multireligious (hence multiracial, since most Muslim Malaysians are Malay) co-operation. If it wins, the BA would have a chance to try out new policies and build a record on which to be judged. Remaining in the opposition, however, would discourage complacency and force the BA parties to work out their differences and to press voters to rethink their notions of governance. Ultimately, as long as oppositional forces, whether in civil society or political parties, continue periodically to mobilize, mass socialization towards new political norms — *Reformasi* of political culture — will progress.

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NOTES

1. Farish A. Noor, "Looking for *Reformasi*: The Discursive Dynamics of the *Reformasi* Movement and Its Prospects as a Political Project", *Indonesia and the Malay World* 27, no. 77 (March 1977): 6, 13-14.
2. See the pamphlet "Whither Justice?" (distributed by the DAP) or "A Shameful Episode", *Aliran Monthly* 18, no. 8 (September 1998): 40.
3. Khalid Jafri, *50 Dalil Mengapa Anwar Tidak Boleh Jadi PM* (Ampang, Selangor: Media Pulau Lagenda, 1998).
4. See John Funston, "Malaysia: A Fateful September", *Southeast Asian Affairs 1999* (Singapore: ISEAS, 1999), pp. 165-72, for a more nuanced discussion of the split between Anwar and Mahathir and the events leading to Anwar's dismissal.
5. See "Anwar's Case Causes Grave Disquiet: Bar Council", *Business Times* (Singapore), 19 April 1999.
6. See Francis Loh, "The Sabah State Elections 1999", *Aliran Monthly* 19, no. 3 (April 1999): 33-37, 39-40; or the "Sabah State Elections 1999 Monitor's Report", available from Suaram: http://www.suaram.org.
7. See, for instance, the April 1999 issue of *Aliran Monthly* (19, no. 3), especially Khoo Boo Teik's "Beyond pigs and lotteries" (pp. 2, 3-6); and Chan Chee Khoon's "Japanese Encephalitis: A Re-emergent Nightmare?" (pp. 7-8); or David Liebhold, "Hog Hell", *Time Magazine*, 5 April 1999.
8. James Wong Wing On, personal communication, 28 May 1999. See also "Aktivis veteran Cina sertai keAdilan", *Berita Harian* (Singapore), 31 May 1999.
9. Available at http://bosses.faithweb.com. Though started by an informal group of ethnic Chinese journalists, the on-line "People are the Boss" campaign is intended to be a multi-ethnic citizens' awareness campaign, and indeed the list of signatories includes not only Chinese names, but also quite a number of Malay and a few Indian names. See also Oon Yeoh, "Divided Malay electorate gives minorities clout", *Nikkei Weekly*, 13 September 1999.
10. Available from Suaram: http://www.suaram.org. The demands were drafted as a "wish list" by eleven national-level Chinese guilds and associations and submitted to all political parties. They include such issues as making Malaysia's affirmative action more needs-based rather than race-based, establishing more Chinese-language schools and increasing freedom of the press. See also ibid.
11. For details on the WAC, see the booklet, "Women's Agenda for Change", available from Women's Development Collective (Kajang, Selangor), or Irene Xavier and Maria Chin Abdullah, "Launching the Women's Agenda for Change," *Aliran Monthly* 19, no. 6 (July 1999): 33-35, 40. Further information on the WCI can be found at http://www.candidate.freeservers.com.
12. Interview with Sivarasa Rasiah, 13 February 1999.
13. All the membership applications have not been keyed in yet, and so the party is not sure of precise membership figures. This number is an estimate based on application forms received. Personal communication with Alison Wee, 19 September 1999.
14. See "4 parti pembangkang M'sia bersetuju untuk bersatu", *Berita Harian* (Singapore), 21 June 1999.
15. Brendan Pereira "UMNO battles PAS for Malay hearts," *Straits Times* (Singapore), 29 June 1999. In comparison, UMNO has about 2.7 million members. See also Meredith L. Weiss, "New opportunities and strategies for Islamic politics in Malaysia" (Paper delivered at the American Council for the Study of Islamic Societies, Sixteenth Annual Meeting, Villanova University, 30 April - 1 May 1999).
16. In fact, the rights of non-Malays are already constrained by the inviolable doctrine of *ketuanan Melayu* (Malay special rights).

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17. It is unclear how deeply this new rhetoric has penetrated; my interviews suggest that it is only part of the top echelon of PAS leaders who have this new understanding of PAS aims or see this rhetoric as nothing more than an opportunistic electoral pact. If PAS does win many seats in coalition with other parties and does not pursue the establishment of an Islamic state, the party could lose substantial mass support.
18. Interview with Mahfuz Omar, 13 April 1999. See also, for instance, Joceline Tan's article, "Does PAS have what it takes to win the polls?" and interview with Fadzil Mohd Noor (*New Straits Times*, 11 April 1999), as well as the Joint Media Statement by PAS, DAP and PKN, "Leadership and the Barisan Alternatif" released on 20 September 1999 (available at http: //www.keadilan.org)
19. Murray Hiebert cites an UMNO survey finding that 70 per cent of Malays are unhappy with the way Anwar was sacked ("A Single Spark", *Far Eastern Economic Review*, 29 October 1998). Several of my informants offered similar or higher statistics, with 80 per cent being the most common figure. One senior UMNO member was more specific, stating that 80 per cent of civil servants and 60 per cent of students do not support Mahathir, while *kampung* (village) dwellers are about evenly split between support for Anwar and Mahathir.
20. In my interviews with active UMNO and other BN party members, several confessed that they were dissatisfied with Dr Mahathir's handling of the Anwar affair and felt he should resign. However, they said they would just keep their doubts to themselves and remain loyal to the party, including Mahathir. Regarding the split within UMNO, see also Assif Shameen and Sangwon Suh, "A Test of Strength", *Asiaweek*, 20 November 1998.
21. Such as with the establishment in July 1999 of a National Human Rights Commission, high-profile attacks on corruption, or promising to review the ISA.
22. Francis Kok Wah Loh, "Where Has (Ethnic) Politics Gone? The Case of the Barisan Nasional Non-Malay Politicians and Political Parties" (Working paper for Ford Foundation-ISEC-IKMAS research workshop on "Southeast Asian Pluralisms: Social Resources for Civility and Participation in Malaysia, Singapore and Indonesia", 5-6 August 1999, Petaling Jaya, Malaysia), pp. 1-4.
23. Khong Kim Hoong, *Malaysia's General Election 1990: Continuity, Change, and Ethnic Politics*, Research Notes and Discussions Paper No. 74 (Singapore: ISEAS, 1991), p. 15; and Edmund Terence Gomez, *The 1995 Malaysian General Elections: A Report and Commentary*, ISEAS Occasional Paper No. 93 (Singapore: ISEAS, 1996), p. 1.
24. On the slant and impact of media coverage of local and federal elections (including the 1990 and 1995 general elections), see Mustafa K. Anuar, "Defining Democratic Discourses: The Mainstream Malaysian Press" (Paper presented at REPUSM-GESEAS Project on "Discourses and Practices of Democracy in Malaysia" Work-in-Progress Meeting, Penang, 18-19 July 1998).
25. Shamsul A.B. "The Redefinition of Politics and the Transformation of Malaysian Pluralism" (Working paper for Ford Foundation-ISEC-IKMAS research workshop on "Southeast Asian Pluralisms: Social Resources for Civility and Participation in Malaysia, Singapore and Indonesia", 5-6 August 1999, Petaling Jaya, Malaysia), p. 8.
26. For a thorough discussion of intra-party squabbles and the significance of politics within UMNO, see William Case, "The 1996 UMNO Party Election: 'Two for the Show'", *Pacific Affairs* 70, no. 3 (Fall 1997) : 393-411; or R.S. Milne and Diane K. Mauzy, *Malaysian Politics under Mahathir* (London: Routledge, 1999). On corruption and financial scandals, see Edmund Terence Gomez and Jomo K.S., *Malaysia's Political Economy, Politics, Patronage and Profits* (Cambridge: Cambridge University Press, 1997); Khoo Boo Teik, "Democracy and Authoritarianism in Malaysia since

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1957: Class, Ethnicity and Changing Capitalism", in *Democratization in Southeast and East Asia*, edited by Anek Laothamatas (Singapore: ISEAS, 1997), pp. 64-66; or Edmund Terence Gomez, *Money Politics in the Barisan Nasional* (Kuala Lumpur: Forum, 1990).

27. Khong, op. cit., pp. 8-12.
28. The Sabah state elections had actually been held a few months prior to the federal elections, but the ruling Parti Bersatu Sabah crossed over from BN to the opposition just before the national polls.
29. Shortly before the polls, the BN widely circulated images of Tengku Razaleigh in Kadazan headgear, adorned with what looked like a cross as "proof" of his betrayal.
30. Khong, op. cit., pp. 15-24, 36-45.
31. Gomez, *The 1995 Malaysian General Elections*, pp. 4-6, 15-17, 22-3, 28-31, 45. See also Khoo Boo Teik, "Politics After Mahathir" (unpublished paper), p. 10.
32. Exact figures on former Semangat '46 members in PKN are not available. Prior to the formation of PKN, BN-Kelantan estimated that 80 per cent of Semangat '46 members from Kelantan had re-entered UMNO, with the rest joining PAS (interview with Hj Yusuf Isa, 23 February 1999).
33. See *Tangled Web: Dissent, Deterrence and the 27 October 1987 Crackdown in Malaysia* (Haymarket, NSW: Committee Against Repression in the Pacific and Asia, 1988).
34. The Malay middle classes are by no means homogeneous, whether in location, extent of reliance on patronage, newness, or political proclivities. For an excellent discussion of some of the subcategories within the Malay middle classes and their sociological and political significance, see A.B. Shamsul, "From *Orang Kaya Baru* to *Melayu Baru*: Cultural construction of the Malay 'new rich'", in *Culture and Privilege in Capitalist Asia*, edited by Michael Pinches (London: Routledge, 1999), pp. 86-110; or Khoo Boo Teik, "Democracy and Authoritarianism in Malaysia", especially pp. 59-61.
35. *Asiaweek*, 16 April 1999.
36. Interview with James Wong Wing On, 27 March 1999.
37. These activists include, among others, Chandra Muzaffar (International Movement for a Just World/PKN), Irene Fernandez (Tenaganita/PKN), Sivarasa Rasiah (Suaram/PRM), Tian Chua (Labour Resource Centre/PKN), Zaitun Kasim (All Women's Action Society/WCI), Mohd. Nasir Hashim (Suara Warga Pertiwi/Parti Sosialis Malaysia. PSM), and Arutchelvan (Suaram/PSM). Some of these individuals are active in other NGOs too.
38. Ostrom thus suggests developing second-generation models of rationality in which reciprocity, reputation, and trust comprise the core of a behavioural theory of collective action, tested empirically both in the laboratory and in the field. Elinor Ostrom, "A Behavioral Approach to the Rational Choice Theory of Collective Action" (Presidential Address, American Political Science Association, 1997), *American Political Science Review* 92, no.1 (March 1998): 1-22.
39. Rustam A. Sani "Malaysia's Economic and Political Crisis Since September 1998" (Paper presented at the Second International Malaysian Studies Conference, Kuala Lumpur, 2-4 August 1999), pp. 6-9. The fact that Mahathir is still confidently in control of UMNO and at least a substantial proportion of the electorate implies that perhaps these 1960s-era tactics are not yet entirely obsolete.
40. In fact, Marina Mahathir, the Prime Minister's daughter, castigated Malaysian protesters for trivializing Indonesia's dire economic, political and social situation by co-opting the term, "*Reformasi*". Marina Mahathir, "The claim for reformation", *The Star* (Malaysia), 23 September 1999, p. 7.

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41. Malaysia has about 480,000 Internet subscribers among a population of 22 million. The country's largest Internet service provider, TMNet, reports about 14,000 new subscribers per month since September 1998, compared with about 9,000 per month before. Moreover, Malaysians have more than 900,000 Hotmail accounts, the largest number in Asia, accessed often through cyber-cafes. Several pro-*Reformasi* websites have recorded more than half a million hits. See Brendan Pereira, "Now for the real news?", *Straits Times* (Singapore), 13 June 1999. Responding to this article in a 13 June 1999 post to ADIL-Net ("Re: [ADIL-Net] [gerak-net] [analysis] Now for the real news?"), Annamalai Kaunder adds that 2,836,837 news group postings per day come from domains ending with ".my" (Malaysia) and that 3,471 pro-*Reformasi* websites experience a total of about 1.7 million transactions per day.
42. For a highly critical perspective, see Anna Har and John Hutnyk, "Languid, tropical, monsoonal time?: net-activism and hype in the context of South East Asian politics", *Saksi*, July 1999 (available at: www.saksi.com/jul99/huynyk.htm).
43. Ostrom, op. cit., pp. 6-7.
44. For instance, a Malay-language Internet-based survey by Prof. Rozhan Othman of Universiti Kebangsaan Malaysia in August 1999 found that of 170 respondents, 66.5 per cent were men, 93.5 per cent were from urban areas, and 92.4 per cent were Malay – hardly a representative sample. A full 70 per cent claimed to read the PAS newsletter, *Harakah* – more than double the percentage of those reading the next-most-popular journal, *The Star* (30.6 per cent). Among the most common reasons the respondents gave for why people "on the fence" were not ready to support "alternative" parties were doubts in the ability of the opposition parties (62.4 per cent) and that they do not get information from alternative media (51.2 per cent). Results and conclusions from the survey were circulated on ADIL-Net, ISLAH-Net and ALAMIN-Net on 11 August 1999, or can be obtained from the researcher at rozhan@pkrisc.cc.ukm.my.

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Singapore's Defence: Capabilities, Trends, and Implications

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Singapore's economic importance and military capability rank it among Southeast Asia's middle powers despite its small land area and population. Trends indicate that Singapore is determined to maintain an advanced military capability utilizing the latest military and information technologies which were proven in the Gulf War. However, this could lead to enhanced regional suspicions and have negative implications for the very security that the build-up was supposed to achieve. What this means is that Singapore's defence policy and foreign policy have to go hand-in-hand. Full use of its substantial military capability to support political and security objectives will only be achieved in the context of an integrated defence and foreign policy framework. Both Singapore and Malaysia also require political will to work together to achieve overriding common objectives, given the fact that the defence of both countries is indivisible.

Introduction

Singapore's defence policy is an important subject for study because Singapore's economic importance and military capability rank it among Southeast Asia's middle powers despite its small land area and population. In most assessments of position in the international hierarchy, five elements of capability are usually considered: economic power, military power, motivational power, achievement, and potential. Based on at least some of these elements, Israel in the Middle East

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and South Korea in Northeast Asia would fall into the category of middle powers.[1] In the context of Southeast Asia, Singapore, with its economic strength and stability (demonstrated during the Asian economic crisis of 1997-98), technology, and size and sophistication of its armed forces could be considered a middle power. According to Martin Wight, the great powers would bid for the support of such middle powers in peacetime. In war, middle powers might also be able to deter a direct attack because of their ability to inflict costs out of proportion to what a great power could hope to gain by attacking it.[2]

Unique among the ASEAN states, Singapore has ignored the economic crisis affecting the region since 1997 by continuing its military build-up, a relentless process that began in 1965 following Singapore's independence. The development of the Singapore Armed Forces (SAF) could have been halted by the economic recession in 1984-85, or by the more relaxed international environment since the end of the Cold War in 1990. However, Singapore's relentless pursuit of military security highlights its own sense of strategic uncertainty. Singapore fears sudden political developments in the region, particularly in the neighbouring states of Malaysia and Indonesia, which might require its armed forces to be used either as a deterrent, or as a means of national defence. This suggests that Singapore's leadership perceives that under certain circumstances, conflict could in fact occur, and the nation's military capabilities must be credible at all times. The fact that it takes a very long time to build up such capabilities has meant that Singapore's military development has been continuous and sustained. This development also reflects other factors, such as political will, aided by the longevity of the same regime in power since independence; Singapore's sustained economic development (except during the short recession of 1984-85), which has given it the ability to devote resources to defence; and the lack of real progress in the development of a regional security community. Singapore's sustained military build-up also reflects its perception of basic insecurity as a city-state in a volatile region. This would have been borne out by the current political instability in Indonesia, which, together with the violent expression of anti-Chinese sentiments in the May 1998 riots, could not have been comfortable for Singapore's leaders. After all, Singapore, with its economically successful Chinese majority, represents for neighbouring states a tempting means of diverting attention from domestic economic ills and a ready-made racial scapegoat for populist leaders seeking support in the context of a breakdown of social, political and economic order.

This article assesses Singapore's military build-up since 1965, and seeks to understand the trends in this build-up, its likely future

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direction, and its implications. It will demonstrate that the military build-up has been unique in many ways, and that alone among the ASEAN states, Singapore has striven to build a superior conventional military capability that emphasizes technology, size *and* the ability for offensive pre-emptive operations, with the quality of its armed forces being favourably compared to states such as Israel. Singapore's powerful armed forces make a strong statement on behalf of the small city-state in the midst of a volatile region — that it has the will to survive and that will is backed up by real military strength. As a consequence of this military capability and Singapore's economic importance, it ranks as a middle power in the region. However, the implications of this build-up need to be better understood.

Birth of the SAF: Tensions Between Singapore and Malaysia

Relations between Singapore and Malaysia since the former's independence in 1965 have alternated between periods of public cordiality and tension. There is no need to examine all the contentious events surrounding Singapore's independence in August 1965, suffice it to note that political tensions between the ruling United Malays National Organization (UMNO) and the People's Action Party (PAP) became so serious that Singapore had to be expelled from the Malaysian Federation in order to forestall racial conflict.

Malay-Chinese animosity found expression in violent race riots in 1964 and 1969 in Singapore and Malaysia. More than 2,000 people died in the May 13 riots of 1969 in Malaysia.[3] Anti-Chinese feelings in Malaysia remained potent for a number of years because of continuing acrimony over political, economic and social issues. Whilst the economic success of Dr Mahathir Mohamad's government has alleviated social and racial strains, anti-Chinese sentiment remains beneath the surface calm. In addition, geographical propinquity and the strong kinship ties between the peoples of Singapore and Malaysia mean that racial conflict can easily spill over to Singapore, as happened in both 1964 and 1969.[4] Moreover, Singapore had only just emerged from Confrontation with Indonesia, which lasted from 1963 to 1966. Whilst normal relations were established once Soeharto consolidated power in Indonesia, the strong anti-Chinese sentiments, which expressed itself in the bloodbath in 1965 following the Gestapu coup, left Singapore apprehensive about the future. Singapore was safe as long as the British naval base, the largest outside the United Kingdom, still existed. However, in 1968, the announcement of the British military withdrawal left Singapore on the brink of despair, as it had neither an air force nor a navy, not to mention the lack of a proper army. Moreover, the

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British base employed over 40,000 people and contributed 20 per cent to the island's gross national product (GNP).[5]

The Singapore leadership, however, was determined that Singapore should survive. In this, Singapore first approached India and Eygpt for military assistance, and when they demurred, turned to Israel as a model. That Israel was able to survive despite outright hostility from its much larger neighbours greatly impressed the Singapore leadership, which saw Singapore's situation as similiar to that of Israel. In fact, in 1962, Lee Kuan Yew himself stated that "Singapore, with its predominantly Chinese population would, if independent on its own, become Southeast Asia's Israel with every hand turned against it."[6] Moreover, in its bid to gain international recognition, Israel was prepared to offer the kind of military assistance that Singapore needed. The result was the establishment of the Singapore Armed Forces with the help of Israeli military advisers. Beginning in 1967, Singapore methodically adopted Israel's military deterrent strategy, imposed national service on all able-bodied male youths, and proceeded to implement, albeit over a long and sustained period of time, a strategy of "Forward Defence", which contained many elements of the Israeli strategy of pre-emptive defence, in the belief that such a provocative and tough military posture would constitute an effective deterrent to potential adversaries.[7] Forward Defence also made sense, given Singapore's lack of strategic depth.

Singapore's military build-up, in particular its choice of Israel as a model, was greeted initially with hostility in Malaysia and, to a lesser extent, Indonesia.[8] Cordial relations with both its Malay neighbours were eventually established by the 1970s. However, there were still underlying fears of Singapore being made a convenient target of domestic political-economic discontent with those two countries' economically powerful Chinese minorities. Indeed, Singapore's Chineseness (77 per cent of the population is Chinese) made it suspect, because it was perceived that Singapore could somehow constitute a base for Chinese communist subversion.[9] Over the years there has also been a great deal of resentment against Singapore's visible economic success, particularly from Malaysia and Indonesia, which have had troubled relations with their own Chinese minorities. In 1972, a Western analyst noted that because of the danger of Malay–Chinese conflict in Malaysia, and the existence of fundamental differences between Singapore and Malaysia, "the possibility of conflict between Malaysia and Singapore cannot be precluded."[10] This view reflected the perception that the possibility exists that Singapore might intervene militarily in Malaysia in any serious communal violence because of the fact that many Chinese Singaporeans have relatives in Malaysia.

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A Singapore–Malaysia Deterrent Relationship?

In an article published in 1991, British academic Tim Huxley referred to the "tense relationship between Malaysia and Singapore" and pointed out that the seriousness of the bilateral problems between the two countries is reflected in the military sphere. He asserted that "Singapore's defence policy ... evinces an overriding concern with the deterrence of Malaysia."[11] Huxley also claimed:

> There has been persistent concern over the possibility that a strongly nationalist or Islamic Malaysian government might attempt to radically revise the present domestic ethnic balance of economic and political power, creating the sort of tensions which resulted in the traumatic race riots of May 1969. Such tensions might be accompanied by strong domestic pressures on the Singapore government to intervene militarily.[12]

Huxley argued that beneath the veneer of co-operation under the Five-Power Defence Arrangements (FPDA), severe stresses and strains in the bilateral relationship have persisted. He asserted that "the SAF's order-of-battle appears to be designed for the possibility of war with Malaysia." He argued that in any war the SAF would "aim to disable their Malaysian counterparts with a brutal and fearless pre-emptive strike."[13] This, according to Huxley, would be easily accomplished by using Singapore's superior air power. Singapore would then throw its overwhelming armour capability across to Johor in any such attack, in order to secure Singapore's water supply, which is presently mainly supplied by reservoirs in Johor and the Johor River. Such a strategic zone, according to Huxley, would make sense as Johor has a large Chinese population, and the economy is already heavily integrated with Singapore's.[14]

Huxley contended that the relationship between Singapore and Malaysia has been marked by mutual distrust, so much so that both sides have been engaged in an arms race (a claim which is difficult to fully substantiate and for which he does not offer sufficient evidence), although Singapore has retained overwhelming military superiority despite its much smaller size. This view of an arms race is endorsed but not elaborated on by analyst Gerald Segal, who noted that "Singapore and Malaysia have a hidden arms race with each other."[15]

Huxley's views may be somewhat extreme, although there is evidence that the arms build-up in both countries has taken on an interactive nature, with recurring tensions in relations pointing to fundamental differences between the two countries.[16] However, any pre-emptive attack by Singapore could mean all-out war with its neighbours, as

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well as crippling international sanctions should Singapore even attempt to occupy any neighbouring territory. Moreover, Singapore and Malaysia have a number of common political and economic interests. Both countries have become economically interdependent, given the largely complementary nature of their economies. Politically, both harbour apprehensions over domination by Indonesia. In recent times, there has also been heightened concerns over the economic crisis in Indonesia, doubts about its political stability, and uncertainty over its political succession. This uncertainty had, prior to a fresh round of prickly bilateral issues in the latter half of 1998, in fact helped to inject a sense of pragmatism and emphasis on common interests in the Singapore–Malaysia bilateral relationship, and provided a more favourable atmosphere for pursuing mutual interests, notwithstanding a number of contentious bilateral issues.[17] Indeed, Prime Minister Mahathir's remarks in March 1998 on the importance of bilateral relations and his in-principle assent to extend the water supply agreement with Singapore after it expires in 2061 are concrete manifestations of this new-found sense of realism.[18] Domestically, Malaysia has also been handling its Chinese minority with confidence and pragmatism, which is reassuring to Singapore, compared to the increasingly anti-Chinese mood in Indonesia in recent years.[19]

Another point to note is that because of its propinquity, Malaysia is indeed vital to Singapore's defence. The southern state of Johor is of particularly vital strategic importance because it supplies most of Singapore's water. In military terms, the question of Singapore's defensibility has been debated for decades. The lessons from World War II, when Singapore fell to the Japanese advancing through Malaya are, however, fairly clear. Effective protection from landward attack is only possible by in-depth defence of Johor and the Malayan peninsula, as the narrow Strait of Johor separating Malaysia and Singapore is no barrier to an invading force. From Johor, an enemy could cut water and food supplies and shell Singapore into submission.[20] Conversely, an attack from the south via the sea-routes emanating from Singapore would threaten the Malayan peninsula, a possibility that had heavily influenced British defence planners prior to World War II. The point is that the defence of both countries is seen in a number of quarters to be indivisible.

Forward Defence was based on the assumption that Singapore cannot afford to fight an aggressor on its own territory because of its lack of strategic depth. The strategy also made sense as Singapore's water supply from Johor would have to be secured if any defence is viable.[21] This does not necessarily make Singapore a military threat to Malaysia, as Forward Defence also means that Singapore's armed

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forces would be a valuable addition to Malaysia's defence against any external aggression, if one works on the assumption that the defence of the two countries is indivisible. Indeed, the two countries can be viewed as natural defence allies, and this does have the potential to be more enduring in the face of a volatile region with an increasingly assertive China and a potentially unstable Indonesia, provided both Singapore and Malaysia have the political will to work towards it.

The Singapore Military Build-up

The SAF is largely modelled on the Israel Defence Forces (IDF), with its emphasis on air superiority, armour and pre-emptive defence. Israeli advisers helped to set up and train the SAF from scratch.[22] The central aim in adopting the Israeli system was to enhance deterrence by establishing that Singapore possessed a credible military capability based on a proven model, and would be willing to use this power against any attempted aggression.

Singapore's military build-up can be divided into several phases, beginning with the adoption, in 1967, of the Israeli system of national service, followed by active reservist duties up to the age of 40 (50 for officers), in which reservists are integrated into front-line combat divisions. This aggressive reservist policy has, over the years, given rise to a very large and well-trained body of military personnel. Israeli advisers arrived in the late 1960s to help set up the armed forces, and selected personnel were sent to Israel for training.[23] Another factor which assisted the build-up was the presence of excellent military facilities in Singapore bequeathed by the withdrawing British. The speed and scale of Singapore's military build-up was such that by 1972, Prime Minister Lee Kuan Yew was able to boast that Singapore had "made the transition from military impotence to combat-readiness," thus achieving the goal of a "defence state."[24] By then, Singapore possessed some 75 ex-Israeli AMX-13 light tanks, more than 200 U.S.-made V-200 Commando armoured personnel carriers (APCs), and had an effective air force centred around a total of about 80 ex-British Hunter and ex-US A-4 Skyhawk combat aircraft.[25] The cost of this build-up was significant, with defence spending taking up some 11 per cent of GNP, and 40 per cent of government expenditure in the late 1960s.[26]

This first phase in the defence build-up was necessarily rushed, as Singapore had no effective defence forces of its own when it became independent in 1965, except for two regular infantry battalions. An added impetus was the impending departure of British forces from Singapore, which finally took place in 1971. The strategy that Singapore adopted at this stage was that of the "poison shrimp", which meant

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simply that while Singapore could not resist a determined invader, the cost of any aggression would be made so high as to be an effective deterrent.

The second phase began in 1975, with the backdrop of the events in Indochina. The defeat of the pro-U.S. regime in South Vietnam, and the conspicuous failure of the United States to rescue that regime after the huge cost in lives and material in the Vietnam War, demonstrated the changed geopolitical realities in Southeast Asia. The ascendency of communism in Indochina raised the spectre of communist invasion through Thailand and Malaysia down to Singapore. The significant regional arms build-up could be traced to this period, with apprehensions over security stemming from the communist victories providing the impetus. With Thailand rushing to arm itself, Malaysia could not fall behind, and in turn, neither could Singapore. An interactive element in the arms build-up was therefore apparent.

Singapore evidently decided that a "poison shrimp" strategy would no longer suffice, given the heightened political instability in the region. The military build-up modelled after Israel thus had to be continued to its logical conclusion — a pre-emptive conventional capability that emphasized air-power, armour, and mobility. Evidence of this determination was Singapore's continued high defence expenditures, which in per capita terms far outstripped those of its neighbours. In 1980, for instance, Singapore spent US$239 per capita on defence, compared to US$108 for Malaysia and US$14 for Indonesia.[27] By the late 1970s and the early 1980s, new weapons systems were delivered in large quantities. In 1985, Singapore could boast 270 AMX-13 light tanks, with unconfirmed reports of M-60 Main Battle Tanks (MBTs) in its inventory, some 720 M-113 APCs in addition to V-200 APCs, as well as medium-range artillery centred around some 60 155mm howitzers. Singapore's airspace was also well-defended, with an impressive array of Bloodhound, Rapier, RBS-70 and Improved Hawk surface-to-air missiles (SAMs). Its air force was already one of the largest in the region, with the addition of 26 F-5E Tiger jetfighters and more Skyhawks.[28]

Trends and Directions Since 1985

The third phase began after 1985, when the latest high-technology weaponry began to arrive. The delivery of E-2C Hawkeye airborne early warning (AEW) aircraft signalled Singapore's special status in the eyes of the United States, as the AEW platforms were supplied only to the latter's closest allies, such as Israel and Japan. The sophisticated aircraft provided a powerful force-multiplier and indicated the am-

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bitions of Singapore in developing a world-class military capability. An E-2C squadron consisting of four aircraft was formed by around 1987, and the first eight F-16 fighter aircraft was also delivered in 1988. The E-2C and F-16 were to provide the impetus for Indonesia and Malaysia to acquire their own modern fighters, culminating in their purchase of F-16/Su-30s (the latter being suspended for the time being) and MiG-29/F-18 Hornets respectively.

Singapore's defence industry demonstrated its maturity and technical capabilities when it unveiled its Super Skyhawk ground-attack aircraft, a rebuilt A-4 Skyhawk with enhanced avionics and powered by GE404 engines used in the U.S. F-18 Hornet jetfighter.[29] Its air force also took delivery of a number of Malat Scout remotely-piloted vehicles (RPVs) from Israel, a weapons system which had proven itself in the Beka'a Valley in 1983, and again in Operation Desert Storm in 1991. The emphasis on air-power was to be vindicated by the allied victory over Iraq in that latter conflict, with Singapore showing it had grasped some of the same technologies that had contributed to the swift allied victory, such as real-time reconnaissance and information systems, and precision-guided munitions.

Constant improvement and development have taken place since then, such that by 1998 the SAF could mobilize a maximum of 323,000 active and reservist troops in just six hours in any crisis, using a well-developed system of open or "silent" mobilization.[30] The SAF, like its Israeli counterpart, is kept in a very high state of readiness, and can mobilize and conduct a lightning blitzkrieg in a very short time. Like that of the Israeli Defence Forces, much of the SAF's fighting capability lies in its reserve formations.

Three decades of constant and sustained development have brought about recognition that the SAF is a credible military force. Military analysts have been impressed by Singapore's modern conventional capability. In 1983, John Keegan described the SAF as "one of the best forces in Southeast Asia, well-trained and well-armed".[31] Donald Weatherbee concluded that it is "probably the best-equipped and trained in the region".[32] He observed that it has "preemptive strike potential", unsurprising, given Singapore's deliberate adoption of the Israeli model.[33] Malaysian analyst Shuhud Saaid noted that the SAF had "superior combat power relative to that of neighbouring land forces" and that it has the ability to "strike deep."[34] In 1991, Tim Huxley also concluded that Malaysia and Indonesia were both militarily inferior to Singapore.[35]

The SAF's high state of combat readiness functions to sustain a rapid blitzkrieg against any enemy. Like its Israeli counterpart upon which it is modelled, the SAF emphasizes mobility and armour. The army today has 350 upgraded AMX-13 light tanks and 60 Centurion

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MBTs, and some 1,074 M-113, V-200 and AMX-10P APCs. The SAF has a strong artillery capability that includes light air-mobile 105mm howitzers, 120mm heavy mortars and fairly substantial numbers (123 in 1997) of 155mm medium-range howitzers, including locally-made 52-calibre 155mm self-propelled howitzers. Demonstrating its technical capabilities, the SAF has also unveiled its own locally-produced Bionix Infantry Fighting Vehicle (IFV), making it the only Southeast Asian country to produce its own IFVs.[36] The move towards IFVs makes the acquisition of more modern MBTs inevitable. The SAF is also one of the few armed forces in the world that uses the sophisticated U.S.-made AN/TPQ-37 mortar-locating radar. It also possesses real-time battlefield reconnaisance capabilities, in the form of some 60 Israeli-made Malat Scout RPVs, some of which have reportedly crashed in Malaysian territory.[37]

This significant land force is backed by the region's best air force, with the most advanced air warfare capability in the region. With 149 combat aircraft, Singapore's air force has more firepower than either Malaysia or Indonesia. Its 3 squadrons of 75 A-4 Skyhawk ground-attack aircraft, equipped with the Maverick laser-guided air-to-ground missile, modern all-weather targeting pods and navigation systems, provide Singapore with a credible precision air bombardment capability. Its 37 F-5E jetfighters have been upgraded with new avionics, and 18 of the latest F-16C/Ds were ordered in 1996.[38] In 1997, another 12 F-16C/Ds were ordered.[39] With another 12 F-16C/Ds leased for training in the United States, the air force will eventually have an F-16 fighter force of 42 aircraft in total. To maintain its edge over Malaysia's new MiG-29s armed with the modern AA-11 medium-range air-to-air missiles, Singapore acquired the new Israeli Python 4 medium-range missile for its jetfighters.[40] The air force is backed by force-multipliers such as C-130 Hercules air tankers, C-130-SIGINT aircraft, and E-2C Hawkeye AEW aircraft. It has some 20 light helicopter gunships and a medium-range heavy-lift capability in the form of Super Puma and Chinook helicopters.[41] The air force has also taken delivery of 9 Fokker maritime patrol aircraft, some of which are armed with Harpoon anti-ship missiles.[42] Singapore's skies are also heavily defended by Rapier, RBS-70, SA-18 Igla, Mistral and Improved Hawk surface-to-air missile systems.[43]

The Singapore Navy has also seen rapid expansion in recent years, despite the emphasis, along the Israeli model, on airpower and armoured mobility. In 1996, Singapore purchased a second-hand Sjoormen-class submarine from Sweden, which will precede more submarines once operational expertise has been built up.[44] Already possessing 12 missile boats and corvettes, 12 new Fearless-class corvettes, some of which

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are equipped with anti-ship missiles and anti-submarine warfare torpedoes, are being delivered.[45] The mission of this significant force of corvettes is cited as being the protection of Singapore's sea-lines of communications (SLOC), which are vital to Singapore's survival, given its heavy dependence on foreign trade.[46] The navy also operates a modern fleet of 4 Landsort-class minehunters. There is also a considerable amphibious capability in the form of 5 landing ship tanks (LSTs) and a substantial number of locally-built hovercraft landing vessels. The U.S.-built LSTs are being replaced by 4 locally-built Endurance-class landing platform docks (LPDs). These ships will enable its rapid deployment division to be effectively used in any pre-emptive action.[47]

The SAF is thus very well-equipped compared to its immediate neighbours, Malaysia and Indonesia. However, Singapore also recognizes that training and operational effectiveness are vital. To improve these, Singapore has established permanent training facilities in the United States, Thailand, Taiwan, Brunei, and Australia. In November 1997, South Africa signed a defence agreement with Singapore, allowing its commandos and RPVs to train in South Africa.[48] In January 1998, France permitted Singapore's air force to station its Skyhawks in Cazaux for training.[49] The Singapore military presence in Australia, in particular, is growing, with the stationing of some 20 A-4 Skyhawks and up to 12 Super Puma helicopters in Queensland.[50] This is in addition to the 30 S-211 trainers stationed in Western Australia and the permanent use of armoured training facilities in Queensland. Apart from Australia, Singapore has also consciously cultivated defence ties with Indonesia. The warmth of Indonesia–Singapore ties under the Soeharto regime was reflected in the civil aviation and military training agreements signed in September 1995, which delegated airspace of up to 90 nautical miles south of Singapore to Singapore's air traffic control, and allowed Singapore's air force to conduct training over Indonesian air space.[51] Significant arms purchases from the United States, in the form of Chinook helicopters and F-16C/D jetfighters have also been accompanied by fairly large training detachments in Texas and Arizona.[52]

To enhance the capabilities of its well-armed and well-trained formations, Singapore has also, in the 1990s, concentrated on improving its command, control and communications (C^3) structure, with the objective of developing a C^3 structure controlled by a central staff and integrated to the unit level. This has become a significant force-multiplier that further enhances existing capabilities and combat-readiness.[53]

The success of Singapore's military build-up over three decades is reflected in Table 1, with Singapore's armed forces comparing

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TABLE 1
Comparative Military Capabilities of the ASEAN States, 1998

Country	Military Manpower[1]	Tanks	APCs[2]	155mm Howitzers	Missile Craft	Combat Helicopters	Combat Aircraft
Singapore	323,000	410	1074	123	24	20	157
Malaysia	150,000	26	1210	12	14	0	89
Indonesia	876,000	455	696	0	14	0	91
Thailand	506,000	787	1117	218	16	0	206
Philippines	249,000	41	569	12	0	99	39
Brunei	6,000	16	52	0	3	6	0
Vietnam	484,000[3]	1935	1500	? [4]	11	43	201
Myanmar	435,000	231	385	0	6	22	121
LAOS	29,000	55	70	?	0	0	26

NOTES:
[1] including reserves
[2] including armoured reconnaissance vehicles
[3] in addition, there are 3-4 million reserves
[4] Vietnam has 2,300 artillery pieces of different makes, including unspecified numbers of 155mm and 175mm howitzers.

SOURCE: *The Military Balance 1998-1999* (London: International Institute of Strategic Studies, 1998).

favourably with its ASEAN neighbours despite its size. It is clear that the SAF is superior to its Malaysian and Indonesian counterparts in almost every crucial area, such as armour, medium-range artillery, combat helicopters, combat aircraft, and missile-equipped naval craft. While numbers alone do not indicate superiority, the SAF has a clear technological superiority, as it possesses force-multipliers such as air-refuelling tankers, the E-2C Hawkeye AEW platform, AN-TPQ 37 mortar-locating radar, RPVs, and a defence industry that emphasizes self-reliance in the maintenance and production of basic weapon systems.[54] In addition, Tim Huxley has argued that Malaysia and Indonesia are in fact militarily inferior, as both are not technologically proficient and do not possess the kind of sophisticated weapon systems that the SAF has in its arsenal.[55] Moreover, their military effectiveness is reduced by the fact that their forces have to be thinly spread over a vast territory. The SAF's inventory is listed in Table 2, which demonstrates why the SAF has been described by leading defence analysts as Southeast Asia's best-armed and best-trained armed forces.[56]

Singapore has also instituted a Total Defence doctrine, in which all economic and other resources can be mobilized for defence purposes. The Total Defence concept unites all sectors of society to Singapore's defence. It includes economic defence, in which the economy is organized in such a way that it will not break down in the face of

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TABLE 2
Singapore's Defence Forces

Army
50,000 active troops, with 240,000 reserves • 3 combined arms division • 1 rapid deployment division • 1 mechanized brigade • 1 reserve division
Tanks: 410 (60 Centurion MBTs, 350 AMX-13 light tanks) APCs: 1,074 (750 M-113, 250 Commando, AMX-10P) 155mm howitzers: 123 (38 Soltam M-71S, 16 M-114A1, 52 FH-88, 17 FH-2000, M-68) Other artillery: LG1 105mm, 120mm and 160mm mortars Anti-tank missiles: Milan, Armbrust *On order*: more locally-made FH-2000 self-propelled howitzers, Bionix AFVs
Navy
Missile-equipped naval vessels: 24 (6 Victory corvettes, 6 Sea Wolf missile boats, 12 Fearless corvettes) Submarines: 1 Challenger (ex-Swedish A12) Minehunters: 4 Landsort minehunters *On Order*: 4 Endurance-class LPDs, 3 more ex-Swedish A12 submarines, 8 NGPV-class missile corvettes
Air Force
75 A-4 Skyhawk fighter-bombers 37 F-5 Tiger II fighter-bombers 8 RF-5E reconnaissance jetfighters 7 F-16A/B jetfighters 30 F-16C/D jetfighters 20 AS-550 helicopter gunships 4 KC-130B air tankers 4 Hawkeye E-2C AEW 1 transport/MR squadron with 9 Fokker 50 1 RPV squadron with Searcher RPV SAM: Hawk, Rapier, Mistral, RBS70 *On order*: 12 F-16C/D jetfighters, 8 helicopter gunships (Apache), 4 KC-130H air tankers, Chinook helicopters

SOURCES: Various sources, including *The Military Balance 1998-1999* (London: International Institute of Strategic Studies, 1998).

external attack, or when resources and personnel have been diverted for military purposes. Other aspects include psychological defence, that is, the development of the collective will to defend and protect the nation; social defence, which is aimed at preventing any exploitation of ethnic unrest by stressing the mutual co-existence of the various races; and civil and military defence.[57]

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In operational terms, there have been frequent mobilization exercises of civilian vehicles, vessels, and aircraft for military use.[58] Stretches of roads in Singapore have been strengthened as emergency runways for the air force.[59] Passive civil defence measures, such as an air raid siren system, have also been installed. Food and strategic stockpiles are maintained and a huge civilian bomb-shelter programme, rivalled only by Switzerland, has been put in place, with all new housing estates equipped with bomb shelters and underground subway stations strengthened against blast so that they can serve as bomb shelters in a war.[60] In addition, a Civil Defence Force consisting of regular and reservist personnel has been set up.[61] Air raid siren, fuel, water and food rationing exercises have been held. A super-switch has been installed which can effect a total blackout in the event of a night attack.[62]

Such comprehensive measures, rivalled only by Israel and Switzerland, indicate that the Singapore leadership perceives the real possibility of actual military conflict under certain circumstances.

Singapore's defence capability has not come cheaply. Indeed, Singapore's defence expenditure is the highest in the region in terms of percentage of GDP, averaging some 6 per cent during the past three decades.[63] Singapore has not shrunk from spending to improve its military capabilities. It has shown itself to be determined to maintain its military capabilities, particularly in relation to its neighbours, despite the enormous costs. As the then Defence Minister, Dr Yeo Ning Hong, stated in February 1992, Singapore's defence philosophy is "minimizing the likelihood of threats arising, by being strong and alert, vigilant and ready at all times."[64] The emphasis is on actual warfighting capabilities and combat-readiness. Dr Yeo also stated: "Our armed forces must be able and ready to deal effectively with any threat at the shortest notice. Total defence must be real if we are to achieve deterrence."[65]

Singapore's military build-up has been driven by its own sense of insecurity, arising from the circumstances surrounding its independence, particularly the Malay–Chinese animosities. It has felt the need to maintain a military edge over its immediate neighbours, given the potential for conflict arising from the plethora of inter-state issues which have bedevilled bilateral relations, especially with Malaysia.[66] Of relevance also is Singapore's basic insecurity as a city-state in a volatile region where political and economic changes in unstable neighbouring countries could affect regional stability and result in an unfavourable security environment. Indonesia is one constant worry, given the continuing political instability in the post-Soeharto era. The future make-up and policies — indeed, the very stability of the next Indonesian government following the June 1999 elections — are uncertain. These uncertainties, together with evidence of social unrest, the continuing

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weakness of the Indonesian economy as a result of the currency crisis of 1997, and strong anti-Chinese sentiments, have increased the sense of insecurity.[67] Given the imminence of a leadership change in Indonesia because of Soeharto's age (77 in 1998), it was not surprising that Singapore increased its defence budget by 5 per cent in real terms in 1998 despite a regional economic crisis.[68] This decision may have been vindicated following Soeharto's resignation amidst social and political chaos in May 1998.

What has also helped Singapore's uninterrupted military build-up for some three decades has undoubtedly been the continuity of its leadership, with the same regime in power since 1965. Moreover, there has generally been spectacular economic growth during this time, providing the necessary resources for Singapore to develop its military capabilities. The unrelenting nature of Singapore's military acquisitions, as well as the clearly offensive nature of its military build-up, as expressed through its well-publicized doctrine of Forward Defence, that is, a pre-emptive military strategy, surprisingly has not alarmed its neighbours and sparked an interactive arms build-up — in other words, efforts to counter Singapore's military capabilities. This has been evident with Malaysia, and to a more limited extent, Indonesia.

The situation in which Malaysia has existed in the shadow of Singapore's military superiority is in the process of change. The Malaysian Armed Forces' military modernization programme includes 18 MiG-29 and 8 F-18C/D Hornet jetfighters, as well as Hawk ground attack aircraft, mobile SAMs, air defence radars, and new naval assets such as British-made missile frigates equipped with proven Seawolf anti-missile defences, and submarines (possibly Russian-made Kilo-class or Swedish Kockums-class). Malaysia is also reported to be interested in acquiring up to 270 Main Battle Tanks (possibly Polish versions of the T-72 tank) as well as up to 2,000 APCs.[69] Construction of two large military bases in Johor has also begun, a clear indication of Malaysia's resolve to strengthen its defences in the south. However, many aspects of this ambitious military modernization plan have been deferred because of the economic crisis affecting the region since the currency crisis in 1997. The plan to set up a mechanized brigade with MBTs has, for instance, been postponed indefinitely.[70] Nevertheless, even if the military modernization programme is only partially implemented, it will go some way in denting Singapore's present overwhelming superiority.

The Next Phase: Towards a Revolution in Military Affairs?

The Research Institute for Peace and Security in Tokyo has observed

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that Singapore will attempt to maintain its regional military superiority through planned (and costly) acquisitions of more weapon systems, using the access granted to the U.S. military to ensure the viability of future purchases of sophisticated U.S.-made weapon systems as well as its technological edge over potential adversaries in the region.[71] This can only invite counter-measures from its neighbours, accelerating the process of interactive arms acquisitions that is already evident.

The size of Singapore's armed forces has been augmented by frequent training for reservists and their full integration into the various combat arms, as is the case with Israel. The ability to mobilize 323,000 troops quickly and to have the necessary capability to project and protect that force in the region means that Singapore cannot be treated as a small state in strategic terms, but as a middle power of some standing. This middle power status is backed by a strong technological edge and superiority in *both* numbers and quality of weapons systems deployed. For instance, its air force is the second largest in the region, after Thailand, and is certainly the most sophisticated.

The fourth phase of Singapore's military development has already begun, with General Han Eng Juan declaring in 1995 that the coming technological revolution centred around advances in information technology would change the way battles would be fought:

> Electronic connectivity among all the echelons of the army in a digitized battlefield will result in the speed and precision never before seen in military manoeuvre. The entire army's Command, Control, Communication and Computer and Intelligence system will be revolutionized. In the future high-tech digital battlefield, information may be even more critical than ammunition. With superior information technology, the army's situational awareness and agility will be greatly enhanced, resulting in significantly improved lethality, survivability, speed, versatility and sustainability.[72]

Singapore is thus drawing upon the U.S. experience in the Gulf War, and has noted the debate around the Revolution in Military Affairs (RMA) in the United States, which has touted the new information, sensing, precision attack, stealth and aerial warfare technologies demonstrated in the Gulf War as being the precursor of a fundamental change in the way wars will be fought.[73] The dominance of air-power in the Gulf War has arguably changed, in a qualitative sense, the nature of warfare through its proven ability to fulfill other tasks undertaken by other traditional force elements, particularly its capacity to destroy an enemy's fielded army and to achieve strategic goals from the onset of fighting. As a result of these new capabilities, air-power "now offers the promise of being the determining factor in an ever-widening variety

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of circumstances if its future development and evolution are properly planned and underwritten."[74]

Singapore has clearly taken note of these developments, and is paying special attention to enhancing its command, control, communication and intelligence (C^3I) systems in order to fully exploit the modern weapons systems that it possesses, or will soon acquire. Its awareness of the crucial importance of air-power and real-time reconnaissance capabilities, as demonstrated in the Gulf War, is evidenced by its determination to set up a fairly large F-16C/D fighter force, its acquisition of more airborne early warning aircraft, its recent replacement of the excellent Scout RPVs with the modern Israeli-built Searcher RPVs, and its stated requirement for up to 30 modern attack helicopters.[75]

Indeed, Singapore announced in March 1999 that it would buy an initial 8 AH-64D Apache attack helicopters, which had distinguished themselves in the Gulf War. Significantly, the U.S. Government cleared export approval for the new AN/APG-78 millimetre-wave Longbow radar to equip these helicopters.[76] The Longbow radar is said to be a significant force-multiplier, with the ability to suppress mobile SAM systems and attack entire armoured formations. Singapore is also planning to develop its own larger and more powerful RPV, called the Firefly, in recognition of the potential of this type of weapons system.[77] Also in the works are plans to acquire up to 40 next-generation fighter aircraft, with the Dassault Rafale, F-18 Super Hornet, F-16C/D Block 60, Eurofighter and Sukhoi Su-37 under consideration. Significantly, Singapore has also been given coveted "informed customer" status in the proposed Lockheed-Martin Joint Strike Fighter (JSF) aircraft. The JSF is a formidable stealth fighter-bomber, which, together with the Raptor F-22, will become the mainstay of the U.S. Air Force.[78] It is thus clear that Singapore is determined to maintain its regional superiority in air-power for the foreseeable future.

This does not, however, mean that the other military arms have been neglected. Singapore has paid greater attention to maritime defence in recent years, with the addition of more corvettes and submarines, and the strengthening of its naval support capability, such as minehunting, coastal patrol and troop carriage. Sea defence has been augmented by the acquisition of the Fokker maritime patrol and anti-submarine warfare aircraft. Evidently, Singapore fears that its lack of sea-space and an Exclusive Economic Zone (EEZ), and the fact that its vital sea-lanes traverse territory controlled by others, means that it can be easily blockaded into submission. The rapid expansion of the navy in recent years and the determination to master new technologies that will give it the edge, such as the acquisition of 4 ex-Swedish Sjoormen-class submarines, and the interest in stealthy ship design,

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could be seen in this light.[79] Indeed, there are reports that Singapore plans to purchase 8 Swedish-made NGPV-class stealth missile corvettes, one of the most modern warships available.[80] In addition, Singapore's 4 new 8,500-ton Endurance-class LPDs, each capable of landing 350 troops as well as tanks and vehicles, reflect Singapore's determination to maintain a forward offensive military capability.[81]

The Singapore army is also increasing in sophistication, with the latest technology being employed through the acquisition of locally-made 52-calibre 155mm self-propelled howitzers and automatic grenade launchers, one of the first few countries in the world to obtain them. The impending acquisition of locally-made Infantry Fighting Vehicles implies the need for a Main Battle Tank force to protect them. New divisions have been formed from the vast pool of reservists to make better use of them. Evidently, air superiority must be accompanied by a well-equipped and well-trained army to occupy territory and win a war, which was another lesson of the Gulf War.

The SAF recognizes that technology alone is insufficient, and that effective training, doctrine and organization are also necessary to turn the armed forces into an effective whole. This explains the vast investment in the latest training simulators and the search for training facilities and space overseas (the latest being South Africa) despite the very high costs involved.

Implications of Becoming a Middle Power

It should be noted, however, that the new generation of weapons and information systems associated with the RMA are also available to others. Airborne early warning platforms, for instance, were previously the monopoly of the United States (although the Soviet Union operated a far less effective system). Today, two relatively small states, Israel and Sweden, are able to offer on the world arms market their own AEW systems. This availability, together with Singapore's own relentless pursuit of a significant defence capability, has underpinned the interactive nature of the regional arms build-up. This interactive feature could lead to an arms race, leading to enhanced suspicions and eventually conflict, thereby destroying the very security that the build-up was supposed to achieve. As neighbouring countries such as Malaysia modernize their armed forces to include leading-edge weapons systems such as MiG-29 fighters, the time will come when they too will acquire an offensive pre-emptive capability. This will have the effect of lowering the threshold for any conflict, because it will give Singapore the incentive to strike first. Even a relatively minor quarrel could lead to conflict because Singapore needs to pre-empt any possible first-strike,

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from which it might not recover because of its lack of strategic depth and the small number of high-value military targets.

The logical solution to this is to build some form of second-strike capability, by hardening its military assets, such as MBTs, AEW platforms and jetfighters; and ultimately, to consider some form of strategic capability – a doomsday weapon which will be the ultimate guarantor of Singapore's survivability. The existence of nuclear, biological or chemical (NBC) weapons, however, is notoriously difficult to conceal, not to mention the potential dangers of accidents, which will be catastrophic for a small island-state. Any move in this direction, following Israel's nuclear missile arsenal, would be destabilizing as it would alarm Singapore's neighbours. Nevertheless, it is not far-fetched to surmize that under some unfavourable circumstances, Singapore might be tempted to acquire some form of strategic counter-strike capability as Israel has done. This would mean countermeasures by others as a contingency, and will introduce a dangerous strategic dimension to the regional security environment.

Moreover, concomitant with the RMA has been concern with the spread of lethal nuclear, biological and chemical weapons technologies, which has been exacerbated by the instabilities caused by the break-up of the Soviet Union. The concern over terrorism has been heightened by terrorist atrocities using nerve gas in the Tokyo subway, and the Oklahoma bombing in the United States in 1995. These incidents demonstrate the ease with which terrorist or commando groups, particularly if supported by rogue or unfriendly states, could attack soft targets in even the most militarily strong states. NBC proliferation has meant that the stakes have been heightened considerably. As Lawrence Freedman has pointed out, RMA technology is less suited to dealing with increased threats from terrorism.[82] Without question, Singapore is especially vulnerable in this respect and therefore cannot afford to make enemies.

The acquisition of technologies associated with the RMA would also logically entail the need to maintain a strong alliance with the United States, which although not alone in mastering such technologies, is still the leading innovator of next-generation military technologies. In addition, the sheer expense of obtaining such technologies would tax much larger states. If Singapore is determined to maintain its military edge, it could end up devoting an ever-larger proportion of its GNP to defence if its economic growth slows as its economy matures. Eventually, in the long-term, its neighbours will simply close the gap and achieve a measure of parity, as they have not even realized the full potential of their human and economic resources. Essentially, this is what has happened in the Middle East, with the result that Israel

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has not been able to resist the lure of a strategic strike capability as the logical solution to its long-term security needs.

What this means is that defence policy must go hand-in-hand with foreign policy. While useful in its own right, a strong middle-power defence capability has its drawbacks. Full use of this capability to support political and security objectives, which is what it is meant for in the first place, will only be achieved in the context of an integrated defence and foreign policy framework, with care taken to ensure that political objectives remain the overriding objective. The rise of the officer corps in Singapore, and the increase in the political influence of the military has been documented by others.[83] The military mindset emphasizes secondary military objectives as opposed to overriding political objectives, and Israeli politics has demonstrated the dangers of such a mindset as increased military influence in politics has triggered conflicts and for years has been an obstacle to a political solution to the Palestinian question. Therein lies the danger — of an unremitting drive towards a defence capability without regard to the Clausewitzian dictum of the need to consider the political ends. Added to this is the lack of any real debate about defence matters in Singapore. Despite the sensitivity of the subject matter, both Malaysia and Indonesia have well-established strategic studies centres, whilst Singapore only established the Institute of Defence and Strategic Studies in 1996, a very belated development.

Singapore's military build-up has implications for regional security. If the implications are not understood, debated thoroughly and managed intelligently, there will be negative consequences that will undermine the very security it was meant to achieve. Evidently, Singapore needs to enmesh itself in the evolving post-Cold War regional security structures and help to develop the norms of good neighbourliness, such as the resolution of disputes through peaceful means, confidence-building measures (CBMs), regional security co-operation to achieve common strategic security objectives, and other forms of regional political and economic integration. In this respect, the ASEAN Regional Forum (ARF) has not achieved much, but it is at least a good starting point. The ARF is unlikely, however, to evolve into a security structure akin to Europe because of the region's different strategic culture. Nevertheless, a regional involvement is important because it helps to build upon common multilateral security, and political and economic interests as opposed to focusing on bilateral territorial, political or economic issues. For instance, the intrusive influence of large regional powers such as China, as demonstrated by its assertive behaviour in the South China Sea, is one which could provide common ground

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for Singapore, Malaysia and Indonesia to emphasize their common interest in preventing China's hegemony.

Bilateral CBMs with Malaysia and Indonesia are also important; Singapore has paid special attention to cultivating the Indonesian armed forces and has succeeded in obtaining access to training facilities in Indonesia. With Malaysia, the launch of the Singapore–Malaysia Defence Forum in 1996 is a good beginning, as it acts to cement ties at the top level, helps to reduce mutual suspicions, and provide opportunities for planning joint defence co-operation and training.

The above measures are, however, unlikely to be sufficient. What is needed is the political will by both Malaysia and Singapore to transcend ethnic, religious and historical animosities, and sensitive bilateral issues such as the Pedra Branca territorial dispute, to work on the overriding common objective of remaining independent of great power domination, whether it is Indonesia or China. The volatility of Indonesia following its currency and broader economic crisis of 1997-98 is also one area of common concern. Moreover, the strategic reality is that the defence of both Malaysia and Singapore can be viewed as indivisible. These realities should provide the basis for a more substantive political and defence alliance, as opposed to the current suspicion-laden co-operation. Both countries will need to develop their military modernization programmes to complement, not compete, with each other. This means inter-operability to some extent and a need to co-operate better as alliance partners. The alternative would be neighbours armed to the teeth eyeing each other nervously and suspiciously, not a scenario that would ensure security or a stable political climate for economic development. If history is any guide, the alternative means a recurring arms race which the states involved could regret in time to come, unless much greater effort is made in identifying common interests and working towards common goals.

NOTES

This is a revised version of a working paper published by the Strategic and Defence Studies Centre, Australian National University.

1. Graham Evans and Jeffrey Newnham, *Dictionary of International Relations* (London: Penguin, 1998), p.323.
2. See Martin Wight's article in Hedley Bull and Carsten Holbraad, eds., *Power Politics* (Leicester: Leicester University Press, 1978). To avoid confusion between regional great powers (such as the United Kingdom, China and Japan) and middle powers (which do not have the same capacities as the great powers), Spiegel has defined middle powers as "those states whose level of power permits them to play (only) decidedly limited and selective roles in states and regions other than their own." Middle powers are therefore different from secondary powers, which are regional

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great powers that "are able to challenge the superpowers in particular areas of activity." See S. L. Spiegel, *Dominance and Diversity: The International Hierarchy* (Boston: Little Brown, 1972).

3. Richard Clutterback, *Conflict and Violence in Singapore and Malaysia* (London: Graham Brash, 1984), p. 289.
4. Chin Kin Wah, "Singapore: Threat Perceptions and Defence Spending in a City-State", in *Defence Spending in Southeast Asia*, edited by Chin Kin Wah (Singapore: Institute of Southeast Asian Studies, 1987), p.198.
5. John Drysdale, *Singapore: Struggle for Success* (Singapore: Times, 1984), pp. 401-2.
6. Quoted in Michael Leifer, "Israel's President in Singapore: Political Catalysis and Transnational Politics", *Pacific Review* 1, no.4 (1988): 342.
7. Yuan-Li Wu, "Planning Security for a Small State: Lessons from Singapore", *Pacific Community*, July 1972, p. 662.
8. Malaysia's ruling UMNO accused Singapore of "trying to create an Israeli state for the purpose of suppressing Malays as has happened in Israel where Muslims were pressed down and suppressed (sic)...the PAP government is trying to launch a war of nerves between the races." See T.J.S. George, *Lee Kuan Yew's Singapore* (London: Andre Deutsch, 1972), pp. 170-71. Indonesia's *Sinar Harapan* typically portrayed Singapore as having a "hidden motive", warning that Singapore would "one day strive to seek new territories to handle her rapidly increasing population...if not by peaceful means, then possibly by force." See translated article in *National Pioneer* (Singapore Armed Forces News), 9 April 1970, pp. 8-13.
9. *Far Eastern Economic Review*, 20 October 1983, p. 49.
10. David Hawkins, *The Defence of Singapore: From the Anglo-Malayan Defence Agreement to ANZUK* (London: United Services Institute for Defence Studies, 1972), p. 54.
11. Tim Huxley, "Singapore and Malaysia: A Precarious Balance?" *Pacific Review* 4, no. 3 (1991): 204.
12. Ibid., p. 204.
13. Ibid., p. 208.
14. Ibid., p. 208.
15. *Business Times* (Singapore), 20 May 1993.
16. See Andrew Tan, *Problems and Issues in Malaysia-Singapore Relations* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1997).
17. "Regional Turmoil Rejuvenates Malaysia-Singapore Ties", *Straits Times Interactive*, <straitstimes.asia1.com.sg>, 2 March 1998.
18. *Straits Times Interactive*, 12 March 1998.
19. "Neighbours Shut Door on Economics of Hate," *Australian Financial Review*, 25 February 1998, p. 9.
20. Ong Chit Chung, *The Landward Defence of Singapore, 1919-1938*, Occasional Paper (Singapore: Centre of Advanced Studies, National University of Singapore, 1988), pp. 17-18, 42, 44.
21. John Keegan, *World Armies* (Hants: Macmillan, 1983), p. 519.
22. Ibid., p. 520.
23. *The Singapore Armed Forces* (Singapore: Ministry of Defence, 1981), p. 24.
24. Prime Minister Lee Kuan Yew, quoted in *Straits Times*, 16 July 1992.
25. *Asian Defence Journal*, April 1982, p. 22.
26. Williard A. Hanna, *The New Singapore Armed Forces* (American Universities Field Staff Reports, Southeast Asia Series) 21, no.1 (1973): 1.
27. *The Military Balance 1980-1981* (London: International Institute of Strategic Studies, 1980), p. 97.

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28. See *The Military Balance 1985-1986* (London: International Institute of Strategic Studies, 1986).
29. *Asian Aviation*, April 1986, p. 40.
30. *The Military Balance 1998-1999* (London: International Institute of Strategic Studies, 1998), p. 195.
31. John Keegan, *World Armies*, p.520.
32. Donald Weatherbee, "ASEAN Defence Programs: Patterns of National and Regional Resilience," in *Security, Strategy and Policy Responses in the Pacific Rim*, edited by Young Whan Khil and Laurence E. Ginter (Boulder, Colorado: Lynne Rienner, 1989), p. 200.
33. Ibid., p. 200.
34. Shuhud Said, "The Singapore Army", *Asian Defence Journal*, June 1987, p.13.
35. Tim Huxley, "Singapore and Malaysia", pp. 208-9.
36. *Asia-Pacific Defence Reporter*, December 1997-January 1998, p. 24.
37. Tim Huxley, "The RSAF: Procurement Programmes and Future Requirements", *Asian Defence Journal*, February 1996, p. 24.
38. *Asian Military Review* 4, issue 1 (February/March 1996): 30.
39. *Straits Times Interactive*, 7 November 1997.
40. *Asia-Pacific Defence Reporter*, December 1997-January 1998, p. 22-23.
41. *Jane's Defence Weekly*, 22 February 1992, p.194. See also *Air Forces Monthly*, March 1998, p. 20.
42. *Asia-Pacific Defence Reporter 1996 Annual Reference Edition*, p. 48.
43. *The Military Balance 1998-1999*, p. 196.
44. *Sveriges Radio P1* (Stockholm, in Swedish), 1545 GMT, 24 September 1995, in BBC/ SWB FE/2418 B/3 (6), 26 September 1995.
45. *Asia-Pacific Defence Reporter 1996 Annual Reference Edition*, p. 54.
46. *Straits Times Weekly Edition*, 25 February 1995.
47. See *Fleet List: Republic of Singapore Navy* <uss-salem.org/ worldnav/ asiapac/ singap.htm>; and *Military Technology*, April 1998, p.64.
48. *Straits Times Interactive*, 11 November 1997.
49. See *The Unofficial Republic of Singapore Air Force Home Page* <geocities.com/Cape Canaveral/3900/rsaf-news>
50. *Straits Times*, 31 March 1995.
51. *Straits Times*, 22 September 1995.
52. *Straits Times Weekly Edition*, 8 November 1997, p. 4.
53. *Jane's Defence Weekly*, 27 January 1990, p. 159.
54. *Defence and Foreign Affairs*, January 1988, p. 26.
55. Tim Huxley, "Singapore and Malaysia", pp. 208-9.
56. See John Keegan, *World Armies*, p. 520; and Donald Weatherbee, "ASEAN Defence Programs", p. 200.
57. *Straits Times*, 1 May 1984.
58. See, for instance, *Straits Times*, 14 April 1987, and 7 August 1987.
59. *Pioneer* (Singapore Armed Forces News), No.103 (May 1986), pp. 12-13.
60. *Straits Times*, 4 October 1987, and 18 October 1986.
61. *Asiaweek*, 7 December 1984.
62. *Straits Times*, 21 February 1987.
63. Interview with Dr Yeo Ning Hong, Singapore's Defence Minister, *Asian Defence Journal*, February 1992, p.11.
64. Interview with Dr Yeo Ning Hong.
65. Interview with Dr Yeo Ning Hong.
66. See Andrew Tan, *Problems and Issues in Malaysia-Singapore Relations*.

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67. See "Twilight Zone", *Far Eastern Economic Review*, 16 April 1998, pp. 18-20.
68. *Straits Times Interactive*, 26 March 1998.
69. *Asian Military Review* 2, issue 6 (December/ January 1994/1995): 39.
70. *Asia-Pacific Defence Reporter*, December 1997-January 1998, p. 24.
71. *Asian Security 1992-93* (London: Brassey's/Research Institute for Peace and Security, 1992), pp. 175-76.
72. As quoted in "Preparing to Fight the Digital War," *Asian Defence Journal*, February 1996, p. 20.
73. See, for instance, "The Future of Warfare", *The Economist*, 8 March 1997, pp.21-24. See also George Friedman and Meredith Friedman, *The Future of War* (New York: Crown, 1996).
74. Benjamin S. Lambeth, "The Technology Revolution in Air Warfare", *Survival* (Spring 1997), p. 82.
75. See *The Unofficial Republic of Singapore Air Force Home Page*, <geocities.com/Cape Canaveral/3900/rsaf-news>
76. Ibid.
77. Ibid.
78. Ibid.
79. "Preparing to Fight the Digital War", p.20. See also *Asia-Pacific Defence Reporter*, February-March 1998, p. 8.
80. *Fleet List: Republic of Singapore Navy*, <uss-salem.org/worldnav/asiapac/singap.htm>
81. *Asia-Pacific Defence Reporter*, October-November 1998, p. 23.
82. See Lawrence Freedman, *The Revolution in Strategic Affairs*, Adelphi Paper 318 (London: International Institute of Strategic Studies, 1998). Other strategic planners have also warned of the emerging threat from "enemies without borders", against which conventional military capability would be of little use. See "Pentagon Called Unprepared for 'Post-Modern' Conflict," *Aviation Week and Space Technology*, 27 April 1998, pp. 54-56.
83. See Tim Huxley, *The Political Role of the Singapore Armed Forces' Officer Corps: Towards a Military-Administrative State?* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1993).

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Book Reviews

***The East Asian Challenge for Human Rights*. Edited by Joanne R. Bauer and Daniel A. Bell.** Cambridge and New York: Cambridge University Press, 1999. 394pp.

How the ideological expedition named "Asian values" ended up in the geopolitical wilderness can be seen in this book, which signposts the route of that rout. Human rights provided some of the most rugged terrain on which the outriders of Asian exceptionalism fell upon the indolent armies of Western universalism, who woke up briskly to repulse, scatter and drive the intruders into the wilds. But the challenge which the insurgents had mounted on the back of what they believed to be an arriving Asian century should not be underestimated. Geographers of "Asian values" claimed that human rights were not only not unifyingly universal, but also that some were injuriously foreign to the organic topography of Asia (condensed, for the purposes of the discourse, into Sino-centric East Asia). To the map-makers of Asian resurgence, American and European attempts to globalize human rights illustrated at best the Western misunderstanding of man's relationship to society; at worst, they were a predictable manifestation of Western bad faith in a post-colonial world that was less "post" than colonial. In short, proponents of Asian values adopted the view that the political economy of rights, centred unmistakably in the West, served to keep Asia in its peripheral place, by intellectual default or imperious design. The Asian miracle provided the material means to plan an ambush on that order. Though the equally miraculous disappearance of the Asian era bankrupted the attempt, the stridency of the Western

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response showed that the rebellious Asians had made a point, if only to lose it.

This book, co-edited by Joanne Bauer of New York's Carnegie Council on Ethics and International Affairs, and Daniel Bell of the University of Hong Kong, draws on a four-year dialogue between East Asian and North American intellectuals and activists. It surveys the false trail of Orientalism where Asia's point was lost. East Asian responses to Western claims of universalism, it shows, ironically originated in the same Orientalist mindset that once prejudiced Western perceptions of Asia as an undifferentiated, unchanging, ahistorical entity.

Rejecting such simplifications, two contributors argue for a truly universal human rights regime that goes beyond the liberal assumptions of Western societies, to embrace aspects of East Asian traditions and practices which endorse the immanence of rights. In this context, other contributors highlight the local and cultural dimensions of a struggle that may well produce human rights with Islamic or Buddhist characteristics.

Then there is the key issue of economics. In a pugnacious essay, Nobel laureate Amartya Sen deflates the argument that economic growth requires authoritarianism and declares that, instead, it is democracy which nurtures growth. His piece gains salience from the Asian economic crisis, which shook (though it did not destroy) the model of growth-based legitimacy on which authoritarian systems in East Asia have been based. Another contributor sharpens the economic argument into a critique of the austerity programmes that the International Monetary Fund imposed on Asian countries. The pain inflicted by its policies on workers and their families infringed nothing less than their human rights.

Though the distinction is a familiar one, the book correctly restates an important divergence between mainstream thinking on human rights in the developed and developing worlds: the former's tendency to emphasize civil and political rights, and the latter's habit of stressing social and economic rights. It suggests that the global spread of free-market values originating in the West, particularly the *laissez-faire* direction they have taken in the United States, will not lead to a globalization of rights. Instead, the integration of markets will undermine economic and social rights, precarious enough as they often are, whether in the West or in Asia. However, globalization will expand political rights as repressive Asian governments respond to the demand for more open societies that are needed to create (economically productive) space for individual creativity and initiative. On balance, then, neither Asia nor the West wins the human rights debate: both

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win to the extent that rights, in their plurality, carry the argument among humans.

The diversity of approaches represented in this volume gives it its strength. Firmly resisting any attempt to privilege Western experience as the foundation of human rights — though an essay gives leeway to that point of view — the cumulative effect of the book is to reject Asian claims to social supremacy based on economic growth (which, anyway, spanned no more than the twinkling of an historical eye). Rights must derive from universal experience to be universally applicable, these essays proclaim in an exercise in common sense that is, unfortunately, not common at all in the conflict of discourses on the issue. The book upholds the universal centrality of rights by inviting the reader, wherever he or she may be, to invest in a project whose prospects are central to the condition of being human.

That said, the volume has two shortcomings. First, the case for Asian values is made only as part of the case against them. Contributors mount a critique of the premises of Asian values, but there is no defence of them against the critique.

Secondly, it is necessary but not sufficient to highlight the divergence between the political (Western) and the economic (Asian) views of rights. It is the avowed difference between the two approaches that is revealing. Why does the West insist on political rights? Is it because that part of the world has, as a result of some mysterious benediction, succeeded in moving beyond the economic to arrive at the post-economic, so to say? Any such claim would be spat on with a resounding curse by the jobless post-haves of the United States. Why is Asia perpetually pre-political, in a manner of speaking? Is it because politics is inimical to good economics? The economically and politically dispossessed of Myanmar would spit on the question with a curse — if they could.

The truth is that, just as rights are universal by virtue of being rights, they must be seamless in order to be genuine. And to see why they should be seamless, their origins must be considered. It is not enough to note the divergence between economic and political rights; what must be done is to show how rights themselves are an historical product created by an economic trajectory that has produced uneven but related political consequences across the world. Rights must be viewed as an aspect of the essential permeability of the economic and the political to each other. The issue goes beyond globalization and touches on the logic of capitalism itself. The self-serving arguments employed by the doomed socialisms of Europe and Asia do not absolve the inheritors of the world from making an authentic connection between the economic and political lineage of rights. The book does

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not explore this lineage sufficiently; the absence of the past leaves a question mark on what it suggests about the future of rights as a project. In spite of revealing with sophistication and verve how discursive obscurities emanate from both Asia and the West, it does not quite succeed in offering a theory of rights.

And without theory, whither practice?

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Malaysian Politics Under Mahathir. **By R.S. Milne and Diane Mauzy.** London and New York: Routledge, 1999. 225pp.

The first book on Malaysian politics that this reviewer read was R.S. Milne's *Government and Politics in Malaysia*, published in 1966, when the author was teaching at the University of Singapore. In the late 1970s, Milne was joined by Diane Mauzy in writing an expanded volume — *Politics and Government in Malaysia* — which took into account the great changes during the previous decade. The new work, under review here, brings the story up to 1998 and focuses on the Mahathir era.

The long experience of both authors as observers of Malaysian politics is reflected in this book. It is noted in passing that Milne's first interviews with Malaysian politicians were conducted in 1964 and the footnotes indicate that both authors have had access to most of Malaysia's important political leaders since then. The book is full of comments and evaluations that indicate the "feel" for Malaysian politics that the authors have acquired over several decades. Milne and Mauzy are, therefore, very well placed to interpret recent developments in proper long-term historical context. Their judgements are generally very sound.

The book surveys the major events and issues that arose during Dr Mahathir's long and unfinished tenure as Prime Minister until 1998. Mahathir's confrontations with the sultans and the judiciary are covered in some detail. His battles within his party are also discussed at length, particularly the events leading to the party split in the late 1980s and, more tentatively, the crisis that resulted from Mahathir's deteriorating relations with his then deputy, Anwar Ibrahim, in 1997-98. Attention is devoted to the New Economic Policy and particularly to Mahathir's

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initiatives in the economic field, such as his "Look East" policy, privatization, the heavy industries policy, and the current aspiration to build a "Multimedia Super Corridor". The authors also examine the approach of the Mahathir government to Islamization, Malay–Chinese relations, the position of the East Malaysian states, and human rights. Mahathir's role on the world stage as a leader of the "South" is covered in a separate chapter.

Despite the detailed exposition of government policies and approaches under Mahathir, the picture of the man himself that emerges from this book is not always clear. Contradictory views are presented but not adequately resolved. For example, the *Far Eastern Economic Review* is quoted — apparently with approval — as believing that for Mahathir "power has to be absolute" (p. 159), yet the authors' discussion of the way that the Malaysian political system works indicates that the Malaysian Prime Minister enjoys far from absolute power. Tengku Razaleigh is quoted as saying that Mahathir "thrives on crisis and confrontation" (p. 161), but the authors themselves note an aversion to competition on Mahathir's part which, they hint, might have originated from his "dislike of competitive games" as a schoolboy (p. 160). As an example of his aversion for competition, they cite Mahathir's assertion in 1995 that he would not accept a challenge for the UMNO leadership until 1999 (p. 160). But in different circumstances in the early 1980s, Mahathir himself promoted competition within the party when he allowed highly competitive and divisive contests for the deputy leadership on two occasions. After asserting Mahathir's dislike of competition, the authors' ambivalence is apparent when they say that, "A possible speculation is that Mahathir's preference for confrontation over consensus may be that ample consensus, and even planning, in some projects, resembles polemics too much for it to form part of his style" (p. 163). It seems that Mahathir likes confrontation but avoids polemics.

The authors note briefly an apparent "mellowing" in Mahathir's attitude to Malaysia's Chinese and other non-Malay communities (p. 166). Especially after his announcement of his "Vision 2020", which envisaged Malaysia as a developed country by 2020, Mahathir's attitude indicated "greater ethnic liberality". Mahathir's appointment as Deputy Prime Minister in 1976 had been met with a marked lack of enthusiasm — or even hostility — by the Chinese community but by the 1990s he was widely perceived as a friend of the Chinese. The transformation of Mahathir's image among non-Malays is one of the most remarkable developments during his prime ministership but the authors provide only limited analysis of this change. The main weight of their explanation seems to be placed on Mahathir's perception of "the West" rather

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than "the Chinese" as the "enemy" of Malay nationalism. Thus, the authors suggest, "If the Chinese were no longer to be the enemy, clearly it was best to have them as enthusiastic collaborators" (p. 134). Incidentally, I was puzzled by the authors' claim that "some high positions were opened to non-Malays" including those of "armed forces chief-of-staff, police chief, and state government secretary" (p. 95).

It is one of the occupational hazards of political scientists writing about contemporary politics in countries like Malaysia that last-minute revisions need to be incorporated to take into account major developments which occur just before, or just after, the manuscript is sent to press. In this case, the initial draft of Chapter 7, headed "The succession to Mahathir: Anwar Ibrahim", must have required some amendment to take into account the events of September 1998 when Anwar was not only dismissed from office but placed under arrest to face extraordinary charges. The chapter runs through the main developments from the rise of Anwar to the growing signs of tension between the Prime Minister and his deputy, and finally to Anwar's dismissal. Understandably, it reads more like a mere recording of events than an analysis of why they happened and ends with an unanswered question: "What aspects of such a system could lead to so bizarre an outcome?"

This book draws on the authors encyclopaedic knowledge of Malaysian politics to present an informed picture of political developments under the leadership of Dr Mahathir. The book provides a valuable guide to the major events and issues that need to be understood by anyone concerned with Malaysian politics today. The reverse side of their approach, however, is that they do not give themselves enough space to examine fully some of the bigger issues that arise from their study. The topic "Democracy and authoritarianism in Malaysia" gets only three pages; there is no focused overall assessment of how and why Malaysia has avoided serious ethnic violence since 1969; and there is little thorough analysis of how Malaysia's political structures might have contributed to both rapid economic growth before 1997 and the collapse that followed. Instead, the authors prefer to provide brief ad hoc judgements along the way and show little inclination to take advantage of the theoretical insights that might be derived from comparative studies of these questions in other countries.

Nevertheless, this book succeeds in meeting the need to provide an up-to-date overview of Malaysian politics during the Mahathir era.

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Peace, Power and Resistance in Cambodia: Global Governance and the Failure of Conflict Resolution. **By Pierre P. Lizée.** London: Macmillan, 1999. 203pp.

Pierre Lizée's *Peace, Power and Resistance in Cambodia* is one of the most innovative and thought-provoking books among the many published on United Nations peacekeeping in Cambodia. Indeed, Lizée excoriates the entire genre of publications on the United Nations and Cambodia which argue that the United Nations' failure could have been averted if only it had improved the implementation of the 1991 comprehensive peace agreement in Cambodia.

Lizée bases his analysis on the theoretical foundations laid down in the writings of Antonio Gramsci, Robert Cox (*Social Forces, States and World Order*) and Anthony Giddens (*The Nation-State and Violence*). He moves beyond these texts to develop his own critical theory of violence. This marks the major intellectual innovation in this work and its analysis of the failure of the 1991 Cambodian peace agreement. Lizée argues that the United Nations failed because its conceptualization of violent conflict in peripheral societies was inadequate. Because of this, it was unable to attain its principal objective: the replacement of violent factional infighting with non-violent democratic processes.

Lizée's work is based on four major premises:

- Non-violent forms of politics are predicated upon the emergence of very specific configurations of state, economic and social forces.
- Current international efforts to resolve long-standing conflicts in peripheral regions essentially revolve around attempts to impose on the élites in these regions, through concerted diplomatic pressures, a reconstruction of society duplicating these structures. It is at this level that the reason for the failure of such international initiatives can be found.
- The literature on conflict resolution has yet to explain fully the lack of success of these operations, or to offer an alternative, because it has so far failed to integrate an analysis of the nature of the social changes which these operations require.
- Emerging mechanisms of globalization and global government rest on a specific organization of violence at the domestic and international level which in fact prevents a reformulation of the current literature on conflict resolution.

Lizée concludes by offering insights on how current approaches to conflict resolution and global governance can be modified to take

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into account insights derived from his critical theory of violence and case study of U.N. operations in Cambodia.

Peace, Power and Resistance in Cambodia is divided into four parts. The first provides the theoretical basis for the argument that non-violent politics are co-extensive with particular social developments and that the attempt to impose these developments in peripheral regions, such as Cambodia, will fail to foster a movement towards peace. According to Lizée, "what constitutes violence and conflict are socially constructed in processes coextensive with the constitution of society itself" and that the process of globalization results in a similarly constructed "global understanding" of conflict and conflict resolution (p. 1).

The 1991 Cambodian peace plan was aimed at moving Cambodia from violent to non-violent politics by creating a strengthened state structure, a cohesive administrative apparatus, and a capitalist economy. Nothing less than the three-tiered reorganization of Cambodian society was contemplated. It was assumed that new groups which emerged in this process would support the non-violent political order linked to this transformation. The U.N. plan ran counter to the realities of Cambodian society where peace was assumed to arise either from the balance of power achieved by violent factional politics, or from Buddhist cosmology. Lizée argues that the dominant groups in Cambodian society supported these concepts of peace "because they justify and legitimize the social order from which [the dominant groups] draw their power" (p. 3).

Lizée juxtaposes Western conceptualization of "peace as democracy" with Cambodian realities. Relying on Giddens, he traces the evolution of the modern Western state and the impact of capitalism. The latter, Lizée argues, created three institutional clusters: industrialism, surveillance and centralized control of the means of violence (p. 19). The modern state internally pacified itself and turned to the rule of law as the basis of authority. In such a context, peace was conceived as the absence of violence in society, or "peace as democracy".

In contrast, Cambodia is a pre-capitalist state where the administration is weak and the bourgeoisie underdeveloped and lacking in political influence. Social interactions are highly personalized and based on localized relationships and patronage. Despite a period of colonization by France, Cambodia did not evolve along Western lines where the state assumed a monopoly over organized violence. In Lizée's view, "violence constituted the means of exercising power" and the weak Cambodian state became "one pole of power among many, prone to violence" (p. 36). Lizée concludes:

> All these different patterns of development have therefore created in Cambodia a polity where organized violence is not, so to speak,

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> concentrated at the outer edge and where the exercise of organized violence is not restricted by an array of social and political rights. What concept of peace can be plausible in this context?... Rather, violence is seen, in these circumstances, as contextual, in that it is defined as an autonomous part of the social order, standing outside of all agency and determining by its presence the very nature of that social order... [S]ince political factions constitute the only mode of affiliation able to provide some measure of protection from violence and to control to a degree the means of organized violence. Peace, then, would involve a situation where violence is diminished temporarily (p. 39).

The impact of the United Nations' approach upon Cambodian reality produced four reactions, according to Lizée. First, the very weakness of the Cambodian state and society served to undermine the United Nations' attempt to reorganize Cambodian society, creating in the process a strong state, democratic institutions, bureaucratic processes and capitalist development. Secondly, a conceptual vacuum of what constituted peace emerged. The United Nations supported peace as democracy, while the political factions supported peace as a factional balance of power. Thirdly, international attempts to remould Cambodian society (by creating a strong state, representative institutions, capable bureaucracy, a capitalist class and non-violent political processes) will be perceived by the leadership of the dominant factions as threatening to their positions in society. They will resist by all means possible, including violence, this remoulding. Fourthly, all factions, including pro-monarchy forces, will refuse to endorse the concept of peace as democracy because they know they will be unable to preserve their positions in society by manipulating the democratic process in a transformed Cambodia.

Part two provides empirical support for Lizée's theoretical proposition about the socially constructed meaning of violence, conflict, and peace. He examines the diplomatic process in which the Cambodian factions sought to undermine the framework put forward by the Permanent 5 members of the United Nations and the manner in which the Paris peace accords were subverted in their implementation.

Part three examines the implications of Lizée's findings on the main literature on conflict resolution. He examines critically two schools of thought. One argues that conflict can be resolved through mechanisms, such as negotiations, which reduce the incompatibility of the protagonists' goals and strategies. The other school argues that it is the character of the social environment in which the protagonists evolve which generates conflict between them. Here, conflict resolution aims at engineering broad socio-economic and institutional reforms designed to

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modify the nature of the structural constraints imposed on the protagonists so that relations become less prone to conflict.

Lizée argues that the literature on conflict resolution needs to be rewritten to incorporate a new political vocabulary so that the socially constructed nature of conflict in peripheral societies can be addressed and transformed into non-violent politics.

Part four examines the role of the international community in the 1998 Cambodian elections and asks why the same patterns of thought and ways of conceptualizing conflict resolution were reapplied with similar results. One of Lizée's suggestions is that this problematic can only be addressed by opening up the practice and discourse of global governance to the concepts and insights developed in this work.

In sum, this is a powerfully written critique of the United Nations' orthodox and misguided approach to peace-building in the post-Cold War era. It challenges the conceptual premises on which U.N. intervention has been based and provides a devastating account of why the United Nations failed to achieve its main objective of creating a democratic Cambodian state based on non-violence and the rule of law. This book is highly recommended to conflict resolution specialists, diplomatic practitioners, military officers engaged in U.N. missions, and scholars with an interest in Cambodia.

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A Special Relationship: The United States and Military Government in Thailand, 1947-1958. **By Daniel Fineman.** Honolulu: University of Hawaii Press, 1997. 357pp.

"Intrigue" and "tragedy" best epitomize this absorbing analysis of how the United States, in an evolutionary manner, developed a symbiotic patron–client relationship with a repressive military dictatorship in Thailand, a country of low priority in America's foreign policy concerns within Southeast Asia. This relationship baffled alike allies, critics, and enemies of the United States. Ironically, U.S. State Department officials were aware of what the Thai military leaders were doing, for their actions were nourished and sustained by large amounts of military aid.

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One is tempted to view the officials in the White House, the State Department, and the Central Intelligence Agency (CIA) as the major players who cautiously opened the door to American military aid to Thailand after the coup in 1947, and which later led to a disastrous diplomatic role in Southeast Asia. The foreign policy objectives pursued by American Cold Warriors were inimical to Thai democracy. Furthermore, America's ambassadors to Thailand, sensitive as they were to the anti-American sentiments voiced by Thai journalists, politicians and students from 1947 to 1957, directly and inadvertently drove Thailand into the military arms of the United States. Edwin Stanton, a liberal Democrat, pressured Phibunsongkhram to include Democrats, such as Khuang Aphaiwong, in his government. William Donovan, who succeeded Stanton, worked furiously to convince Phibun to repress all dissident elements. Both Stanton and Donovan rallied Congress to appropriate military aid for Thailand. John E. Peurifoy, Donovan's replacement, vigorously pushed for additional military aid, and Max Bishop, the ever-aggressive ambassador, along with U Alexis Johnson, fought to preserve American interests. While these ambassadors worked diligently to make first Phibun and then Sarit walk a straight and narrow pro-American path, American businessmen, some of them former CIA officials, pressured Thai officials to suppress internal dissent. Even the British jealously guarded their trade relations with Thailand. In due time, the United States and their allies would turn their attention to the growing influence of communism in Southeast Asia.

A reader also detects in this book the blatant manner in which American officials used the carrot of military assistance to solicit the loyalty of Phibun, Sarit Thanarat, and other Thai officials. Military aid depended on the effective suppression of dissident elements within those groups in Thai society that lacked a united political front. Even Secretary of State Dean Acheson admonished Thailand to get its house in order so that the United States would not repeat the mistake made in China.

The American recognition of Bao Dai and military involvement in Korea encouraged a cautious Phibun to take action. After 1950, the greater Phibun's success in suppressing leftist elements, the more the military aid and support given to him by the United States. Compromises with leftist elements anywhere, and overtures to communist China, in particular, were anathema to American officials. By 1954 the effective suppression of leftist groups became "the litmus test of Thai loyalty" (p. 167).

This book is about more than "the practice of power" by the United States. Woven through the author's absorbing and very organized text is an account of the significant role played by interest groups and

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powerful individuals in Thailand, jostling for power, striking compromises, and exploiting U.S. military assistance for personal gain. The sometime turncoat Phibun, the ever ambitious Phao Siyanon, and the opportunistic Sarit, were ever careful to maintain a reasonable measure of political contentment and stability among the various special interest and minority groups. In the background, American officials kept a close watch so as to discourage any policy decisions either in support of leftist elements or in pursuit of neutralist relations with them.

Other significant players in the symbiotic relationship were the intellectuals, journalists, students, and Thai Foreign Ministry officials who remained critical of American military aid. Eventually these factions would be suppressed, but only to the detriment of the Phibun regime. Members of the Cabinet, Members of Parliament, and civilians-at-large all understood that any actions jeopardizing U.S.–Thai relations would be met with stern reproval. Sarit was well aware on which side his bread was buttered. One glaring political shortcoming in Thai society was the lack of political consensus. Eventually, Sarit's military dictatorship in 1958 provided the United States with the opportunity to establish the military bases needed to fight the war in Vietnam.

The author's organization and use of archival sources are admirable and his main argument is hard to miss. Ironically, some of the most interesting material regarding the personal decisions and interactions of the main actors are found in the endnotes. The book is a significant contribution and a "must read" for those who continue in their efforts to unravel the United States' diplomatic and military fiasco in Vietnam.

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Contemporary Southeast Asia, Volume 21, Number 3, December 1999

INDEX

Contemporary Southeast Asia, Vol. 21, Nos. 1–3 (April–December 1999)

Author Index

ABDULLAH, Kamarulnizam — National Security and Malay Unity: The Issue of Radical Religious Elements in Malaysia (Vol. 21, No. 2, August 1999, pp. 261–83)

ACHARYA, Amitav — Realism, Institutionalism and the Asian Economic Crisis (Vol. 21, No. 1, April 1999, pp. 1–29)

CATLEY, Bob — Hegemonic America: The Arrogance of Power (Vol. 21, No. 2, August 1999, pp. 157–75)

CHENG, Joseph Y. S. — China's ASEAN Policy in the 1990s: Pushing for Regional Multipolarity (Vol. 21, No. 2, August 1999, pp. 176–204)

FUNSTON, John — Challenges Facing ASEAN in a More Complex Age (Vol. 21, No. 2, August 1999, pp. 205–19)

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FURTADO, Xavier — International Law and the Dispute Over the Spratley Islands: Whither UNCLOS? (Vol. 21, No. 3, December 1999, pp. 386–404)

GAROFANO, John — Flexibility or Irrelevance: Ways Forward for the ARF (Vol 21, No. 1, April 1999, pp. 74–94)

JOHNSTONE, Christopher B. — Paradigms Lost: Japan's Asia Policy in a Time of Growing Chinese Power (Vol. 21, No. 3, December 1999, pp. 365–85)

KU, Samuel C. Y. — The Political Economy of Taiwan's Relations with Vietnam (Vol. 21, No. 3, December 1999, pp. 405–23)

RAVENHILL, John — APEC and the WTO: Which Way Forward for Trade Liberalization? (Vol. 21, No. 2, August 1999, pp. 220–37)

ROSENBERG, David — Environmental Pollution around the South China Sea: Developing a Regional Response (Vol. 21, No. 1, April 1999, pp. 119–45)

SIMON, Sheldon W. — Is There a U.S. Strategy for East Asia? (Vol. 21, No. 3, December 1999, pp. 325–44)

SMITH, Anthony — Indonesia's Role in ASEAN: The End of Leadership? (Vol. 21, No. 2, August 1999, pp. 238–60)

SOLINGEN, Etel — ASEAN, *Quo Vadis*? Domestic Coalitions and Regional Co-operation (Vol. 21, No. 1, April 1999, pp. 30–53)

STEINBERG, David I. — Burma/Myanmar and the Dilemmas of U.S. Foreign Policy (Vol. 21, No. 2, August 1999, pp. 283–311)

STOREY, Ian James — Creeping Assertiveness: China, the Philippines and the South China Sea Dispute (Vol. 21, No. 1, April 1999, pp. 95–118)

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Digitized by Arya Samaj Foundation Chennai and eGangotri

TAN, Andrew T.H.	Singapore's Defence: Capabilities, Trends, and Implications (Vol. 21, No. 3, December 1999, pp. 451–74)
WEISS, Meredith L.	What Will Become of *Reformasi*? Ethnicity and Changing Political Norms in Malaysia (Vol. 21, No. 3, December 1999, pp 424–50)
WESLEY, Michael	The Asian Crisis and the Adequacy of Regional Institutions (Vol. 21, No. 1, April 1999, pp. 54–73)
YOU JI	The Revolution in Military Affairs and the Evolution of China's Strategic Thinking (Vol. 21, No. 3, December 1999, pp. 344–64)

Title Index

APEC and the WTO: Which Way Forward for Trade Liberalization?	John Ravenhill (Vol. 21, No. 2, August 1999, pp. 220–37)
ASEAN, *Quo Vadis*? Domestic Coalitions and Regional Co-operation	Etel Solingen (Vol. 21, No. 1, April 1999, pp. 30–53)
Burma/Myanmar and the Dilemmas of U.S. Foreign Policy	David I. Steinberg (Vol. 21, No. 2, August 1999, pp. 283–311)
Challenges Facing ASEAN in a More Complex Age	John Funston (Vol. 21, No. 2, August 1999, pp. 205–19)
China's ASEAN Policy in the 1990s: Pushing for Regional Multipolarity	Joseph Y. S. Cheng (Vol. 21, No. 2, August 1999, pp. 176–204)
Creeping Assertiveness: China, the Philippines and the South China Sea Dispute	Ian James Storey (Vol. 21, No. 1, April 1999, pp. 95–118)
Environmental Pollution around the South China Sea: Developing a Regional Response	David Rozenberg (Vol. 21, No. 1, April 1999, pp. 119–45)
Flexibility or Irrelevance: Ways Forward for the ARF	John Garofano (Vol. 21, No. 1, April 1999, pp. 74–94)

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Digitized by Arya Samaj Foundation Chennai and eGangotri

Hegemonic America: The Arrogance of Power	Bob Catley (Vol. 21, No. 2, August 1999, pp. 157–75)
Indonesia's Role in ASEAN: The End of Leadership	Anthony Smith (Vol. 21, No. 2, August 1999, pp. 238–60)
International Law and the Dispute Over the Spratly Islands: Whither UNCLOS?	Xavier Furtado (Vol. 21, No. 3, December 1999, pp. 386–404)
Is There a U.S. Strategy for East Asia?	Sheldon W. Simon (Vol. 21, No. 3, December 1999, pp. 325–43)
National Security and Malay Unity: The Issue of Radical Religious Elements in Malaysia	Kamarulnizam Abdullah (Vol. 21, No. 2, August 1999, pp. 261–82)
Paradigms Lost: Japan's Asia Policy in a Time of Growing Chinese Power	Christopher B. Johnstone (Vol. 21, No. 3, December 1999, pp. 365–85)
Realism, Institutionalism, and the Asian Economic Crisis	Amitav Acharya (Vol. 21, No. 1, April 1999, pp 1–29)
Singapore's Defence: Capabilities, Trends, and Implications	Andrew T. H. Tan (Vol. 21, No. 3, December 1999, pp. 451–74)
The Asian Crisis and the Adequacy of Regional Institutions	Michael Wesley (Vol. 21, No. 1 April 1999, pp. 54–73)
The Policy Economy of Taiwan's Relations with Vietnam	Samuel C. Y. Ku (Vol. 21, No. 3 December 1999, pp. 405–23)
The Revolution in Military Affairs and the Evolution of China's Strategic Thinking	You Ji (Vol. 21, No. 3, December 1999, pp. 344–64)
What Will Become of *Reformasi*? Ethnicity and Changing Political Norms in Malaysia	Meredith L. Weiss (Vol. 21, No. 3, December 1999, pp. 424–50)

Book Review Index

A Special Relationship: The United States and Military Government in Thailand, 1947–1958	Ernest Le Vos (Vol. 21, No. 3, December 1999, pp. 484–86)

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China's Provinces in Reform: Class, Community, and Political Culture	Andrew M. Marton (Vol. 21, No. 2, August 1999, pp. 316–20)
Dynamics in Pacific Asia: Conflict, Competition and Cooperation	Eugene Kheng-Boon Tan (Vol. 21, No. 2, August 1999, pp. 320–24)
Malaysian Politics under Mahathir	Harold Crouch (Vol. 21, No. 3, December 1999, pp. 478–80)
Peace, Power and Resistance in Cambodia: Global Governance and and the Failure of Conflict Resolution	Carlyle A. Thayer (Vol. 21, No. 3, December 1999, pp. 481–84)
Regional Maritime Management and Security	Jayabalan Vijayakumar (Vol. 21, No. 1, April 1999, pp. 150–52)
Southeast Asia: The Human Landscape of Modernization and Development	Kenneth Christie (Vol. 21, No. 1, April 1999, pp. 148–50)
Thailand and the Southeast Asian Networks of the Vietnamese Revolution 1885–1954	Zachary Abuza (Vol. 21, No. 2, August 1999, pp. 312–16)
The East Asian Challenge for Human Rights	Asad Latif (Vol. 21, No. 3, August 1999, pp. 475–78)
Vietnam. Anatomy of Peace	Ramses Amer (Vol. 21, No. 1, April 1999, pp. 146–48)

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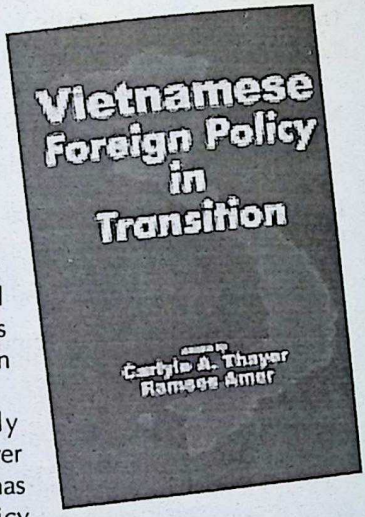

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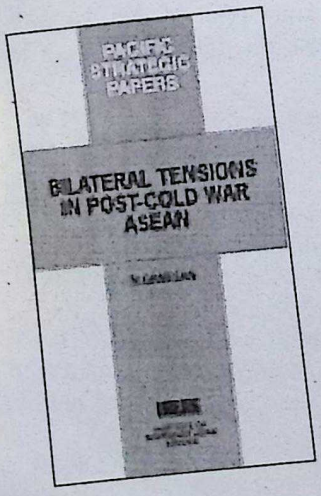

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INDEX

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CONTEMPORARY SOUTHEAST ASIA

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INDEX

Volumes 15–20

Volume Index 1

Author Index 16

Title Index 29

Book Review Index 38

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VOLUME INDEX

Volumes 15–20

Volume 15, Number 1 — **June 1993**

Introduction — 1

Articles

Political Stability and Leadership Succession in Indonesia — M. Din Syamsuddin — 12

Neither Inheritance nor Legacy: Leading the Myanmar State since Independence — Tin Maung Maung Than — 24

Leadership Succession and Security in the Philippines — Julius Caesar Parreñas — 64

Emerging Patterns of Political Leadership in Thailand — Surin Maisrikrod — 80

Leadership in Vietnam: Pressures for Reform and Their Limits — Russell Heng Hiang Khng — 98

The Search for Élite Cohesion — David Brown — 111

Volume 15, Number 2 — **September 1993**

Articles

Looking for Democratization in Post-Soeharto Indonesia — Chua Beng Huat — 131

Liberalization in Myanmar: How Real are the Changes? — David M. Steinberg — 161

Vietnam's Inconsistencies Between Political Structure and Socio-economic Practice: Implications for the Nation's Future — Clifford J. Shultz, II and Khai Le — 179

ASEAN's Bridges to Vietnam and Laos — Michael Antolik — 195

The United Nations' Peacekeeping Operation in Cambodia: Overview and Assessment — Ramses Amer — 211

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Digitized by Arya Samaj Foundation Chennai and eGangotri

Review Article

Democracy and Civil Society: Growth Model and Area Diversity — JOHN GIRLING — 232

Book Reviews

Human Rights in Cross-Cultural Perspectives: A Quest for Consensus Edited by Abdullahi Ahmed An-Naim — *Amyn B. Sajoo* — 243

Peace Accords and Ethnic Conflict Edited by K.M. de Silva and S.W.R.D. de A. Samarasinghe — *David Carment* — 246

Vietnam Data Bank: 1976–1991 Edited by Adam McCarty, Merlyn Paulagui and Vu Quoc Huy — *Carolyn L. Gates* — 252

Volume 15, Number 3 **December 1993**

Articles

Pacific Century: Myth or Reality? — MORTON ABRAMOWITZ — 257

Indochina and ASEAN: Seeking a New Balance — MICHAEL LEIFER — 269

Why hasn't Vietnam Gained ASEAN Membership? — HOANG ANH TUAN — 280

Patterns of Chinese Political Participation in Four ASEAN States — LEO SURYADINATA — 292

The Dilemmas Facing Australia's Defence Policy — GARY BROWN — 309

Will Financial Crisis Lead to Doctrinal Renaissance for the U.S.Navy? — STEPHEN L. RYAN — 343

Book Reviews

Reinventing Vietnamese Socialism: Doi Moi in Comparative Perspective Edited by William S. Turley and Mark Selden — *Russell Heng Hiang Khng* — 357

Mirror on the Wall: Media in a Singapore Election. By Eddie C. Y. Kuo, Duncan Holaday and Eugenia Peck — *Khong Cho Oon* — 359

Singapore Changes Guard Edited by Garry Rodan — *John Girling* — 362

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 Digitized by Arya Samaj Foundation Chennai and eGangotri

Volume 15, Number 4 **March 1994**

Articles

Assessing Australia's Southeast Asian Strategy — THOMAS-DURELL YOUNG — 367

Indochina's Prospects for Stability — KY CAO — 385

Cambodia since the Election: Peace, Democracy and Human Rights? — TERENCE DUFFY — 407

The Future of the Khmer Rouge: Internal and External Variables — ZACHARY ABUZA — 433

A Short Note on ASEAN–Great Power Interaction — LAM LAI SING — 451

Potential Areas of Chinese Regional Military Separatism — PETER YU KIEN-HONG — 464

Book Reviews

Peacekeeping: Challenges for the Future Edited by Hugh Smith — *Kenneth Christie* — 499

Arms Control in the Post-Cold War: With Implications for Asia/Pacific Edited by Trevor Findlay — *Denny Roy* — 501

Vietnam – The Politics of Bureaucratic Socialism By Gareth Porter — *Russell Heng Hiang Khng* — 504

Volume 16, Number 1 **June 1994**

Articles

A Vision of Southeast Asia in the Year 2000: Towards a Common Economic Regime — NARONGCHAI AKRASANEE and DAVID STIFEL — 1

Multilateral Security in the Asia–Pacific Region and its Impact on Chinese Interests: Views from Beijing — BANNING GARRET and BONNIE GLASER — 14

Recent Developments in Sino–Indonesian Relations: An Indonesian View — RIZAL SUKMA — 35

"The Peace Dividend" in Southeast Asia: The Political Economy of New Thai–Vietnamese Relations — SURIN MAISRIKROD — 46

The Curse of the Weak State: Leadership Imperatives for the Ramos Government — WILFRIDO V. VILLACORTA — 67

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Digitized by Arya Samaj Foundation Chennai and eGangotri

Southeast Asia, Russia and the Ex-Soviet Republics: Expanding the Links — PUSHPA THAMBIPILLAI — 93

Book Reviews

Vietnam and the Rule of Law Edited by Carlyle A. Thayer and David G. Marr — *David Koh* — 108

Vietnam: The Struggle for National Identity By D.R SarDesai — *Li Tana* — 112

Volume 16, Number 2 — **September 1994**

Articles

The ASEAN Regional Forum: The Spirit of Constructive Engagement — MICHAEL ANTOLIK — 117

Sino–Indian Rivalry in Myanmar: Implications for Regional Security — J. MOHAN MALIK — 137

The State, Civil Society, and Foreign Actors: The Politics of Philippine Industrialization — TEMARIO C. RIVERA — 157

An Analysis of Sino-British Negotiations over Hong Kong's Political Reform — LO SHIU HING — 178

The Ethnic Vietnamese in Cambodia: A Minority at Risk? — RAMSES AMER — 210

Book Reviews

India's Foreign Policy, 1947–92: Shadows and Substance By Harish Kapur — *Kripa Sridharan* — 239

Volume 16, Number 3 — **December 1994**

Articles

From ASEAN Six to ASEAN Ten: Issues and Prospects — SUKHUMBHAND PARIBATRA — 243

Vietnam's Membership in ASEAN: Economic, Political and Security Implications — HOANG ANH TUAN — 259

China's Aspirations in the Spratly Islands — ESMOND D. SMITH, JR. — 274

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

Unifying Korea:
Beyond Hopes and Fears — LEIF R. ROSENBERGER — 295

"Thai-Style" Contractual Relationships:
Two Case Studies — PATCHAREE SIROROS and KENNETH J. HALLER — 317

U.S. Grand Strategy in Post-Cold War
Asia–Pacific — RENATO DE CASTRO — 342

Volume 16, Number 4 **March 1995**

Articles

Domestic Inhibitions to a Leadership
Role for Japan in Pacific Asia — PETER W. PRESTON — 355

A Test Case for China's Defence
and Foreign Policies — YOU JI — 375

The ASEAN Triad:
National Interest, Consensus-Seeking,
and Economic Co-operation — BILSON KURUS — 404

The Foreign Policy Dimensions of
Subregional Economic Zones — DONALD E. WEATHERBEE — 421

The Khmer Rouge and the Crisis
of Vietnamese Settlers in Cambodia — ZACHARY ABUZA — 433

The Changing Dimensions of
U.S. National Security Strategy:
A Review Article — LEONARD C. SEBASTIAN — 446

Volume 17, Number 1 **June 1995**

Articles

Terrorism and Secession in the
Southern Philippines: The Rise of the
Abu Sayaff — MARK TURNER — 1

Environmental Security in East Asia — R.T. MADDOCK — 20

Origins, Sustainability and Lessons from
Thailand's Economic Growth — CHRIS DIXON — 38

Hong Kong's Democratic Challenge — JERMAIN T.M. LAM — 53

China's Defence Modernization:
Implications for Asia–Pacific Security — JING-DONG YUAN — 67

The Many Faces of UNTAC:
A Review Article — JAMIE FREDERIC METZL — 85

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Digitized by Arya Samaj Foundation Chennai and eGangotri

Book Review
Language and Power: Exploring Political Cultures in Indonesia
By Benedict R. O'G Anderson — *Leonard C. Sebastian* — 97

Volume 17, Number 2 — September 1995

Articles
China's Foreign Policy Under Status Discrepancy, Status Enhancement — SHENG LIJUN — 101

The Future Prospects of Sino–Vietnamese Relations: Are Trade and Commerce the Critical Factors for Sustainable Peace? — CLIFFORD J. SHULTZ, II and WILLIAM J. ARDREY, IV — 126

Managing Dependency in a Reforming Economy: The Lao PDR — JONATHAN RIGG — 147

Transnational Production and Security: Southeast Asia's "Growth Triangles" — AMITAV ACHARYA — 173

The Notion of an Arms Race in the Asia–Pacific — BUNN NAGARA — 186

A Further Look at UNTAC's Performance and Dilemmas: A Review Article — SORPONG PEOU — 207

Book Reviews
Southeast Asian Chinese and China: The Social-Cultural Dimension and *Southeast Asian Chinese and China: The Political-Cultural Dimension*
Edited by Leo Suryadinata — *Yao Souchou* — 224

Eastern Asia: An Introductory History
Edited by Colin Mackerras — *Gerald Jordon* — 228

Taiwan in the Asia-Pacific in the 1990s
Edited by Gary Klintworth — *Fu-Kuo Liu* — 231

Volume 17, Number 3 — December 1995

Articles
The Myanmar Army Since 1988: Acquisitions and Adjustments — ANDREW SELTH — 237

The Political Economy of the Royal Government of Cambodia — RONALD BRUCE ST JOHN — 265

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Digitized by Arya Samaj Foundation Chennai and eGangotri

The Political Economy of Taiwan's Relations with Southeast Asia: The "Southward Policy" — SAMUEL C.Y. KU — 282

Vietnam and its Neighbours: The Border Dispute Dimension — RAMSES AMER — 298

Interactive Naval Developments of Three Northeast Asian States — RENATO CRUZ DE CASTRO — 319

Book Reviews

Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Edited by Andrew Mack and John Ravenhill — *Kenneth Christie* — 337

Buying Power: The Political Economy of Japan's Foreign Aid By David Arase — *Lam Peng Er* — 339

"A Strong Showing": Britain's Struggle for Power and Influence in South-East Asia 1942–1950 By Rolf Tanner — *Malcolm H. Murfett* — 342

Fostering an Indigenous Defence Industry: Defence Industry Policy After the "Price Review" Edited by Graeme Cheeseman — *Doug Thomson* — 345

Sri Lanka: Militarisation and Modernisation By J. Basil Fernando — *V. Suryanarayan* — 348

Essays on Strategy VIII Edited by Thomas C. Gill — *Miles A. Baldwin* — 350

Volume 17, Number 4 **March 1996**

Articles

East Asian Security: Lessons from Europe — KAY MÖLLER — 353

South China Sea Fisheries: Countdown to Calamity — DANIEL YARROW COULTER — 371

A Brief Survey of India–Indonesia Relations — GANGANATH JHA — 389

International Relations Theory and Vietnam — ZACHARY ABUZA — 406

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Digitized by Arya Samaj Foundation Chennai and eGangotri

The Political Consequences of Normalization of U.S.-Vietnam Relations	ALLAN E. GOODMAN	420
Fighting the "Non-Attributable War" in Laos: A Review Article	NICK FREEMAN	430
Book Reviews		
Business and Government in Industrialising Asia Edited by Andrew MacIntyre	*Chung H. Lee*	443
Regional Security in the South Pacific: The Quarter Century 1970–95. By Ken Ross	*Roderic Alley*	447
Co-operating for Peace By Gareth Evans	*Thomas Quiggin*	449
Ideological Innovation Under Monarchy: Aspects of Legitimation Activity in Contemporary Brunei By G. Braighlinn	*James Gomez*	454
Historical Dictionary of Laos By Martin Stuart-Fox and Mary Kooyman	*Arthur J. Dommen*	457
The Chittagong Hill Tracts of Bangladesh: The Untold Story Edited by Mizanur Rahman Shelley	*Taj ul-Islam Hashmi*	459

Volume 18, Number 1 **June 1996**

Articles

The Dynamics of Taiwan's Democratization and Crisis in the Taiwan Strait	CHANG PAO-MIN	1
Thinking Globally from a Regional Perspective: Chinese, Indonesian, and Malaysian Reflections on the Post-Cold War Era	ROSEMARY FOOT	17
A Paradigm of Autonomy: The Hong Kong and Macau SARs	ARNALDO GONÇALVES	36
ASEAN Dispute Management: Implications for Vietnam and an Expanded ASEAN	HOANG ANH TUAN	61
The Role of Government in the Utilization of Official Development Assistance in Vietnam	PHAM HOANG MAI	81

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

Book Reviews

Asian Flashpoint: Security and the Korean Peninsula
Edited by Andrew Mack — *Wookhee Shin* — 100

The Gulf War: Critical Perspectives
Edited by Michael McKinley — *Keith Krause* — 104

Asia-Pacific: A View on its Role in the New World Order
By M.S. Dobbs-Higginson — *Peter Polomka* — 107

The Katipunan and the Revolution: Memoirs of a General
By Santiago V. Alvarez — *Vivencio R. Jose* — 113

Volume 18, Number 2 **September 1996**

Articles

The Asia-Pacific Region and the United Nations — RAMESH THAKUR and SAMUEL M. MAKINDA — 119

The Cultural Challenge for a Concert of Asia — LEIF RODERICK ROSENBERGER — 135

The Nexus Between Democracy and Stability: The Case of Southeast Asia — MOHAMED JAWHAR HASSAN — 163

Parties and Elections in Philippine Politics — A.B. VILLANUEVA — 175

Democracy Lost? The Fate of the U.N.-implanted Democracy in Cambodia — JOAKIM ÖJENDAL — 193

Book Reviews

Communitarian Ideology and Democracy in Singapore
By Beng-Huat Chua — *R.S. Milne* — 219

In Jeopardy: The Royal Navy and British Far Eastern Defence Policy, 1945–1951
By Malcolm H. Murfett — *Gerald Jordan* — 225

Australia and North-East Asia in the 1990s: Accelerating Change — *Xavier Furtado* — 227

Dynamics of Regional Politics: Four Systems on the Indian Ocean Rim
By W. Howard Wriggins with F. Gregory Gause, III, Terence P. Lyons, Evelyn Colbert — *Pushpa Thambipillai* — 230

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 Digitized by Arya Samaj Foundation Chennai and eGangotri

Democracy and Violence in India and Sri Lanka
By Dennis Austin — *Kripa Sridharan* — 232

Volume 18, Number 3 — December 1996

Articles

Re-engineering ASEAN — M.G. ABAD, JR — 237

The 1995 ASEAN Summit: Scaling a Higher Peak — SIMON J. HAY — 254

Indonesian Defence Strategy and Security: Time for a Rethink? — ALAN DUPONT — 275

Human Rights and Democracy in Indonesia and Malaysia: Emerging Contexts and Discourse — PHILIP ELDRIDGE — 298

Constructing the Vietnam War: A Review Article — GREG LOCKHART — 320

Book Reviews

Democracy and Development in Southeast Asia
By Clark D. Neher and Ross Marlay — *Kenneth Christie* — 337

Secret Army, Secret War
By Sedgwick Tourison — *Nick J. Freeman* — 339

An Emerging China in a World of Interdependence
By Yoichi Funabashi, Michael Oksenberg, and Heinrich Weiss — *Sheng Lijun* — 342

Volume 18, Number 4 — March 1997

Articles

Defence Force Modernization in Asia: Towards 2000 and Beyond — PAUL DIBB — 347

Fallout and Fallouts: Nuclear Power in Southeast Asia — JON BARNETT — 361

Hegemonic America: The Benign Superpower? — BOB CATLEY — 377

Mixed Signals on Korean Security — JAMES COTTON — 400

The Myth of Cambodia's Recovery — L. SHELTON WOODS — 417

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 Digitized by Arya Samaj Foundation Chennai and eGangotri

Book Reviews

Major Powers at a Crossroads: Economic Interdependence and an Asia Pacific Security Community By Ming Zhang — *Leszek Buszynski* — 430

The Transformation of Security in the Asia-Pacific Region Edited by Desmond Ball — *Richard Stubbs* — 431

Asia in the 21st Century: Evolving Strategic Priorities By Michael Bellows — *Robin Ramcharan* — 435

Human Rights and International Relations in the Asia-Pacific Region Edited by James T. H. Tang — *Ann Kent* — 439

Volume 19, Number 1 **June 1997**

Articles

Force Modernization: The Case of the Vietnam People's Army — CARLYLE A. THAYER — 1

The Modernization of the Malaysian Armed Forces — J. N. MAK — 29

Myanmar's Role in Regional Security: Pawn or Pivot? — J. MOHAN MALIK — 52

At Thirty, ASEAN Looks to Challenges in the New Millennium — HUSSIN MUTALIB — 74

The Territorial Disputes between China and Vietnam and Regional Stability — RAMSES AMER — 86

Book Reviews

The Third World Security Predicament: State Making, Regional Conflict and the International System By Mohammed Ayoob — *S.D. Muni* — 114

The Armed Forces of Indonesia By Robert Lowry — *John B. Haseman* — 118

Volume 19, Number 2 **September 1997**

Articles

The Foreign Policy of Great-Power China — DENNY ROY — 121

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

Vietnam and China: New Opportunities and New Challenges	CHANG PAO-MIN	136
The Rise of State Corporatism in Vietnam	YEONSIK JEONG	152
End of the Beginning: Economic Reform in Cambodia, Laos, and Vietnam	RONALD BRUCE ST JOHN	172
Golkar of Indonesia: Recent Developments	LEO SURYADINATA	190

Book Reviews

Negotiating the Pacific Century: The "New" Asia, the United States and Australia Edited by Roger Bell, Tom McDonald and Alan Tidwell	*Alan Dupont*	205
India and Southeast Asia: Challenges and Opportunities Edited by Baladas Ghoshal	*S. D. Muni*	209
India Looks East: An Emerging Power and its Asia-Pacific Neighbours Edited by Sandy Gordon and Stephen Henningham	*Dipankar Banerjee*	213
Naval Power in the Pacific: Toward the Year 2000 Edited by Hugh Smith and Anthony Bergin	*Renato Cruz de Castro*	216
Communicating with Asia: Understanding People and Customs By Harry Irwin	*Yao Souchou*	219

Volume 19, Number 3 **December 1997**

Articles

Southeast Asia's Currency Crisis: A Diagnosis and Prescription	LEIF RODERICK ROSENBERGER	223
The ASEAN Regional Forum: Preparing for Preventive Diplomacy	SIMON S.C. TAY WITH OBOOD TALIB	252
EU–ASEAN Relations: Reconciling Two Different Agendas	EERO PALMUJOKI	269
Understanding Cambodia's Political Developments	ABDULGAFFAR PEANG-METH	286

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 Digitized by Arya Samaj Foundation Chennai and eGangotri

Institutions and Actions in Vietnamese Foreign Policy-making: A Research Note — ZACHARY ABUZA — 309

Book Reviews

Southeast Asia: Tradition and Modernity in the Contemporary World Edited by Donald G. McCloud — *Gerald Jordan* — 334

Pathways to Asia: The Politics of Engagement Edited by Richard Robison — *Peter Polomka* — 337

Divided Kashmir: Old Problems, New Opportunities for India, Pakistan, and the Kashmiri People Edited by Mushtaqur Rahman — *Ishtiaq Hossian* — 342

Southeast Asian Security in the New Mellennium Edited by Richard J. Ellings and Sheldon W. Simon — *Mark G. Rolls* — 346

Volume 19, Number 4 — **March 1998**

Articles

The West and China: Crusaders and Cynics — KAY MÖLLER — 351

The South China Sea in China's Stategic Thinking — SHEE POON KIM — 369

The Myanmar Air Force Since 1988: Expansion and Modernization — ANDREW SELTH — 388

Memories of War Crimes in Asia and Europe: A Review Article — KENNETH CHRISTIE — 416

Book Reviews

Interpreting Democracy: Capitalism, Democracy, and the Middle Class in Thailand By John Girling — *John Funston* — 429

Sihanouk: Prince of Light, Prince of Darkness By Milton Osborne — *Sorpong Peou* — 431

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Digitized by Arya Samaj Foundation Chennai and eGangotri

Volume 20, Number 1 **April 1998**

Articles

Australia's Regional Engagement — RAMESH THAKUR — 1

ASEAN: Out of Its Depth? — JOHN FUNSTON — 22

Mechanisms of Dispute Settlement: The ASEAN Experience — MELY CABALLERO-ANTHONY — 38

Political Parties, Élite–Mass Gap and Political Instability in Hong Kong — LO SHIU HING — 67

Towards a Declaration on "Navigational Rights" in the Sea-lanes of the Asia-Pacific — RAMSES AMER — 88

Book Reviews

Indonesia and the "Third Wave of Democratization": The Indonesian Pro-Democracy Movement in a Changing World
By Anders Uhlin — *Bob Lowry* — 103

War in the Blood: Sex, Politics and AIDS in Southeast Asia
By Chris Beyrer — *Marc Askew* — 107

Grey-Area Phenomena in Southeast Asia: Piracy, Drug Trafficking and Political Reform
By Peter Chalk — *Carl Grundy-Warr* — 110

Volume 20, Number 2 **August 1998**

Articles

The ASEAN Regional Forum: Building on Sand — ROBYN LIM — 115

Bilateral Accomplishments and Multilateral Tasks in Northeast Asian Security — SIMON S.C. TAY — 137

Alternative U.S. Strategies with respect to China and the Implications for Vietnam — JAMES COTTON — 154

Preventive Diplomacy and Pro-Activity in the South China Sea — PETER VAN NESS — 171

India Goes Nuclear: Rationale, Benefits, Costs, and Implications — IAN TOWNSEND-GAULT — 191

J. MOHAN MALIK

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

Book Reviews

Political Change in Thailand
Edited by Kevin Hewison — *Jim Ockey* — 216

Transforming the Tatmadaw: The Burmese Armed Forces Since 1998
By Andrew Selth — *Tin Maung Maung Than* — 218

Japan's Asia Policy: Regional Security and Global Interests
By Wolf Mendl — *Kim Ong-Giger* — 221

Volume 20, Number 3 **December 1998**

Articles

Current Sino-U.S. Relations in Strategic Perspective — DENNY ROY — 225

Reading the Asian Crisis: History, Culture and Institutional Truths — PETER W. PRESTON — 241

The Ethnic Security Dilemma: Evidence from Malaysia — ALAN COLLINS — 261

The Cambodian Elections of 1998 and Beyond: Democracy in the Making? — SORPONG PEOU — 279

Whither Guns, Goons, and Gold? The Decline of Factional Election Violence in the Philippines — JOHN L. LINANTUD — 298

Singapore: New Regional Influence, New World Outlook? — JEAN-LOUIS MARGOLIN — 319

Book Reviews

The Environment and Security in Pacific Asia
By Alan Dupont — *Michael Wesley* — 337

Taiwan and Chinese Nationalism: National Identity and Status in International Society
By Christopher Hughes — *Gerald Chan* — 341

Business, Markets and Government in the Asia Pacific
Edited by Rong-I Wu and Yun-Peng Chu — *Xavier Furtado* — 344

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

AUTHOR INDEX Volumes 15–20

A

ABDULGAFFAR Peang-Meth — Understanding Cambodia's Political Developments (Vol. 19, No. 3, December 1997, pp. 286-308)

ABRAMOWITZ, Morton — Pacific Century: Myth or Reality? (Vol. 15, No. 3, December 1993, pp. 257-68)

ABAD Jr., M. C. — Re-engineering ASEAN (Vol. 18, No. 3, December 1996, pp. 237-53)

ABUZA, Zachary — The Future of the Khmer Rouge: Internal and External Variables (Vol. 15, No. 4, March 1994, pp. 433-50)

The Khmer Rouge and the Crisis of Vietnamese Settlers in Cambodia (Vol. 16, No. 4, March 1995, pp. 433-45)

International Relations Theory and Vietnam (Vol. 17, No. 4 , March 1996, pp. 406-19)

Institutions and Actions in Vietnamese Foreign Policy-making: A Research Note (Vol. 19, No. 3, December 1997, pp. 309-33)

ACHARYA, Amitav — Transnational Production and Security: Southeast Asia's "Growth Triangles" (Vol. 17, No. 2, September 1995, pp. 173-85)

AKRASANEE, Narongchai — A Vision of Southeast Asia in the Year 2000: Towards a Common Economic Regime (Vol. 16, No. 1, June 1994, pp. 1-13)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

AMER, Ramses

The United Nations' Peacekeeping Operation in Cambodia : Overview and Assessment (Vol. 15, No. 2, September 1993, pp. 211-31)

The Ethnic Vietnamese in Cambodia: A Minority at Risk? (Vol. 16, No. 2, September 1994, pp. 210-38)

Vietnam and Its Neighbours: The Border Dispute Dimension (Vol. 17, No. 3, December 1995, pp. 298-318)

The Territorial Disputes between China and Vietnam and Regional Stability (Vol. 19, No. 1, June 1997, pp. 86-113)

Towards a Declaration on "Navigational Rights" in the Sea-lanes of the Asia-Pacific (Vol. 20, No. 1, April 1998, pp. 88-102)

ANTOLIK, Michael

ASEAN's Bridges to Vietnam and Laos (Vol. 15, No. 2, September 1993, pp. 195-210)

The ASEAN Regional Forum: The Spirit of Constructive Engagement (Vol. 16, No. 2, September 1994, pp. 117-36)

ARDREY IV, William J.

The Future Prospects of Sino-Vietnamese Relations: Are Trade and Commerce the Critical Factors for Sustainable Peace? (Vol. 17, No. 2, September 1995, pp. 126-46)

B

BARNETT, Jon

Fallout and Fallouts: Nuclear Power in Southeast Asia (Vol. 18, No. 4, March 1997, pp. 361-76)

BROWN, David

The Search for Elite Cohesion (Vol. 15, No. 1, June 1993, pp. 111-30)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

BROWN, Gary — The Dilemmas Facing Australia's Defence Policy (Vol. 15, No. 3, December 1993, pp. 309-42)

BRUCE ST JOHN, Ronald — The Political Economy of the Royal Government of Cambodia (Vol. 17, No. 3, December 1995, pp. 265-81)

End of the Beginning: Economic Reform in Cambodia, Laos, and Vietnam (Vol. 19, No. 2, September 1997, pp. 172-89)

C

CABALLERO-ANTHONY, Mely — Mechanisms of Dispute Settlement: The ASEAN Experience (Vol. 20, No. 1, April 1998, pp. 38-66)

CAO, Ky — Indochina's Prospects for Stability (Vol. 15, No. 4, December 1993, pp. 385-406)

CATLEY, Bob — Hegemonic America: The Benign Superpower? (Vol. 18, No. 4, March 1997, pp. 377-99)

CHANG Pao-Min — The Dynamics of Taiwan's Democratization and Crisis in the Taiwan Strait (Vol. 18, No. 1, June 1996, pp. 1-16)

Vietnam and China: New Opportunities and New Challenges (Vol. 19, No. 2, September 1997, pp. 136-51)

CHRISTIE, Kenneth — Memories of War Crimes in Asia and Europe: A Review Article (Vol. 19, No. 4, March 1998, pp. 416-28)

CHUA Beng Huat — Looking for Democratization in Post-Soeharto Indonesia (Vol. 15, No. 2, September 1993, pp. 131-60)

COLLINS, Alan — The Ethnic Security Dilemma: Evidence from Malaysia (Vol. 20, No. 3, December 1998, pp. 261-78)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

COTTON, James

Mixed Signals on Korean Security (Vol. 18, No. 4, March 1997, pp. 400-16)

Bilateral Accomplishments and Multilateral Tasks in Northeast Asian Security (Vol. 20, No. 2, August 1998, pp. 137-53)

COULTER, Daniel Yarrow

South China Sea Fisheries: Countdown to Calamity (Vol. 17, No. 4, March 1996, pp. 371-88)

CRUZ DE CASTRO, Renato

U.S. Grand Strategy in Post-Cold War Asia-Pacific (Vol. 16, No. 3, December 1993, pp. 342-54)

Interactive Naval Developments of Three Northeast Asian States (Vol. 17, No. 3, December 1995, pp. 319-36)

D

DIBB, Paul

Defence Force Modernization in Asia: Towards 2000 and Beyond (Vol. 18, No. 4, March 1997, pp. 347-60)

DIXON, Chris

Origins, Sustainability and Lessons from Thailand's Economic Growth (Vol. 17, No. 1, June 1995, pp. 38-52)

DUFFY, Terence

Cambodia since the Election: Peace, Democracy and Human Rights? (Vol. 15, No. 4, March 1994, pp. 407-32)

DUPONT, Alan

Indonesian Defence Strategy and Security: Time for a Rethink? (Vol. 18, No. 3, December 1996, pp. 275-97)

E

ELDRIDGE, Philip

Human Rights and Democracy in Indonesia and Malaysia: Emerging Contexts and Discourse (Vol. 18, No. 3, December 1996, pp. 298-319)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

F

FOOT, Rosemary — Thinking Globally from a Regional Perspective: Chinese, Indonesian and Malaysian Reflections on the Post-Cold War Era (Vol. 18, No. 1, June 1996, pp. 17-35)

FREEMAN, Nick — Fighting the "Non-Attributable War" in Laos: A Review Article (Vol. 17, No. 4, March 1996, pp. 430-42)

FUNSTON, John — ASEAN: Out of Its Depth? (Vol. 20, No. 1, April 1998, pp. 22-37)

G

GARRET, Banning — Multilateral Security in the Asia-Pacific Region and its Impact on Chinese Interests: Views from Beijing (Vol. 16, No. 1, June 1994, pp. 14-34)

GIRLING, John — Democracy and Civil Society: Growth Model and Area Diversity (Vol. 15, No. 2, September 1993, pp. 232-42)

GLASER, Bonnie — Multilateral Security in the Asia-Pacific Region and its Impact on Chinese Interests: Views from Beijing (Vol. 16, No. 1, June 1994, pp. 14-34)

GOODMAN, Allan E. — The Political Consequences of Normalization of U.S.–Vietnam Relations (Vol. 17, No. 4, March 1996, pp. 420-29)

GONCALVES, Arnaldo — A Paradigm of Autonomy: The Hong Kong and Macau SARs (Vol. 18, No. 1, June 1996, pp. 36-60)

H

HALLER, Kenneth J. — "Thai-Style" Contractual Relationships: Two Case Studies (Vol. 16, No. 3, December 1994, pp. 317-41)

HAY, Simon J. — The 1995 ASEAN Summit: Scaling a Higher Peak (Vol. 18, No. 3, December 1996, pp. 254-74)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

HENG, Hiang Khng, Russell — Leadership in Vietnam: Pressures for Reform and Their Limits (Vol. 15, No. 1, June 1993, pp. 98-110)

HOANG Anh Tuan — Why Hasn't Vietnam Gained ASEAN Membership? (Vol. 15, No. 3, December 1993, pp. 280-91)

Vietnam's Membership in ASEAN: Economic, Political and Security Implications (Vol. 16, No. 3, December 1994, pp. 259-73)

ASEAN Dispute Management: Implications for Vietnam and an Expanded ASEAN (Vol. 18, No. 1, June 1996, pp. 61-80)

J

JEONG, Yeonsik — The Rise of State Corporatism in Vietnam (Vol. 19, No. 2, September 1997, pp. 152-71)

JHA, Ganganath — A Brief Survey of India-Indonesia Relations (Vol. 17, No. 4, March 1996, pp. 389-405)

K

KHAI Le — Vietnam's Inconsistencies Between Political Structure and Socio-Economic Practice: Implications for the Nation's Future (Vol. 15, No. 2, September 1993, pp. 179-94)

KU, Samuel C. Y. — The Political Economy of Taiwan's Relations with Southeast Asia: The "Southward Policy" (Vol. 17, No. 3, December 1995, pp. 282-97)

KURUS, Bilson — The ASEAN Triad: National Interest, Consensus-Seeking, and Economic Co-operation (Vol. 16, No. 4, March 1995, pp. 404-20)

L

LAM, Jermain T. M. — Hong Kong's Democratic Challenge (Vol. 17, No. 1, June 1995, pp. 53-66)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

LAM Lai Sing — A Short Note on ASEAN-Great Power Interaction (Vol. 15, No. 4, March 1994, pp. 451-63)

LEIFER, Michael — Indochina and ASEAN: Seeking a New Balance (Vol. 15, No. 3, December 1993, pp. 269-79)

LIM, Robyn — The ASEAN Regional Forum: Building on Sand (Vol. 20, No. 2, August 1998, pp. 115-36)

LINANTUD, John L. — Whither Guns, Goons, and Gold? The Decline of Factional Election Violence in the Philippines (Vol. 20, No. 3, December 1998, pp. 298-318)

LOCKHART, Greg — Constructing the Vietnam War: A Review Article (Vol. 18, No. 3, December 1996, pp. 320-36)

LO Shiu Hing — An Analysis of Sino-British Negotiations Over Hong Kong's Political Reform (Vol. 16, No. 2, September 1994, pp. 178-209)

Political Parties, Elite-Mass Gap and the Political Instability in Hong Kong (Vol. 20, No. 1, April 1998, pp. 67-87)

M

M. DIN Syamsuddin — Political Stability and Leadership Succession in Indonesia (Vol. 15, No. 1, June 1993, pp. 12-23)

MADDOCK, R. T. — Environmental Security in East Asia (Vol. 17, No. 1, June 1995, pp. 20-37)

MAISRIKROD, Surin — Emerging Patterns of Political Leadership in Thailand (Vol. 15, No. 1, June 1993, pp. 80-97)

"The Peace Dividend" in Southeast Asia: The Political Economy of New Thai–Vietnamese Relations (Vol. 16, No. 1, June 1994, pp. 46-66)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

MAK, J. N.
The Modernization of the Malaysian Armed Forces (Vol. 19, No. 1, June 1997, pp. 29-51)

MAKINDA, Samuel M.
The Asia-Pacific Region and the United Nations (Vol. 18, No. 2, September 1996, pp. 119-34)

MALIK, J. Mohan
Sino-Indian Rivalry in Myanmar: Implications for Regional Security (Vol. 16, No. 2, September 1994, pp. 137-56)

Myanmar's Role in Regional Security: Pawn or Pivot? (Vol. 19, No. 1, June 1997, pp. 52-73)

India Goes Nuclear: Rationale, Benefits, Costs, and Implications (Vol. 20, No. 2, August 1998, pp. 191- 215)

MARGOLIN, Jean-Louis
Singapore: New Regional Influence, New World Outlook? (Vol. 20, No. 3, December 1998, pp. 319-36)

METZEL, Jamie Frederic
The Many Faces of UNTAC: A Review Article (Vol. 17, No. 1, June 1995, pp. 85-96)

MOHAMED Jawhar Hassan
The Nexus Between Democracy and Stability: The Case of Southeast Asia (Vol. 18, No. 2, September 1996, pp. 163-74)

MÖLLER, Kay
East Asian Security: Lessons from Europe? (Vol. 17, No. 4, March 1996, pp. 353-70)

The West and China: Crusaders and Cynics (Vol. 19, No. 4, March 1998, pp. 351-68)

MUTALIB, Hussin
At Thirty, ASEAN Looks to Challenges in the New Millennium (Vol. 19, No. 1, June 1997, pp. 74-85)

N

NAGARA, Bunn
The Notion of an Arms Race in the Asia-Pacific (Vol. 17, No. 2, September 1995, pp. 186-206)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

NESS, Peter van — Alternative U. S. Strategies with respect to China and the Implications for Vietnam (Vol. 20, No. 2, August 1998, pp. 154-70)

O

ÖJENDAL, Joakim — Democracy Lost? The Fate of the U.N.-implanted Democracy in Cambodia (Vol. 18, No. 2, September 1996, pp. 193-218)

P

PALMUJOKI, Eero — EU-ASEAN Relations: Reconciling Two Different Agendas (Vol. 19, No. 3, December 1997, pp. 269-85)

PARIBATRA, Sukhumbhand — From ASEAN Six to ASEAN Ten: Issues and Prospects (Vol. 16, No. 3, December 1994, pp. 243-58)

PARREÑAS, Julius Caesar — Leadership Succession and Security in the Philippines (Vol. 15, No. 1, June 1993, pp. 64-79)

PEOU, Sorpong — The Cambodian Elections of 1998 and Beyond: Democracy in the Making? (Vol. 20, No. 3, December 1998, pp. 279-97)

A Further Look at UNTAC's Performance and Dilemmas: A Review Article (Vol. 17, No. 2, September 1995, pp. 207-23)

PHAM Hoang Mai — The Role of Government in the Utilization of Official Development Assistance in Vietnam (Vol. 18, No. 1, June 1996, pp. 81-99)

PRESTON, Peter W. — Domestic Inhibitions to a Leadership Role for Japan in Pacific Asia (Vol. 16, No. 4, March 1995, pp. 355-74)

Reading the Asian Crisis: History, Culture and Institutional Truths (Vol. 20, No. 3, December 1998, pp. 241-60)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

R

RIGG, Jonathan — Managing Dependency in a Reforming Economy: The Lao PDR (Vol. 17, No. 2, September 1995, pp. 147-72)

RIVERA, Temario C. — The State, Civil Society, and Foreign Actors: The Politics of Philippine Industrialization (Vol. 16, No. 2, September 1994, pp. 157-77)

ROSENBERGER, Leif Roderick — Southeast Asia's Currency Crisis: A Diagnosis and Prescription (Vol. 19, No. 3, December 1997, pp. 223-51)

Unifying Korea: Beyond Hopes and Fears (Vol. 16, No. 3, December 1994, pp. 295-316)

The Cultural Challenge for a Concert of Asia (Vol. 18, No.2, September 1996, pp. 135-62)

ROY, Denny — The Foreign Policy of Great-Power China (Vol. 19, No. 2, September 1997, pp. 121-35)

Current Sino-U.S. Relations in Strategic Perspective (Vol. 20, No. 3, December 1998, pp. 225-40)

RYAN, Stephen L. — Will Financial Crisis Lead to Doctrinal Renaissance for the U.S. Navy? (Vol. 15, No. 3, December 1993, pp. 343-56)

S

SEBASTIAN, Leonard C. — The Changing Dimensions of U.S. National Security Strategy: A Review Article (Vol. 16, No. 4, March 1995, pp. 46-59)

SELTH, Andrew — The Myanmar Air Force Since 1988: Expansion and Modernization (Vol. 19, No. 4, March 1998, pp. 388-415)

The Myanmar Army Since 1988: Acquisitions and Adjustments (Vol. 17, No. 3, December 1995, pp. 287-64)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

SHEE Poon Kim	The South China Sea in China's Strategic Thinking (Vol. 19, No. 4, March 1998, pp. 369-87)
SHENG Lijun	China's Foreign Policy Under Status Discrepancy, Status Enhancement (Vol. 17, No. 2, September 1995, pp. 101-25)
SHULTZ II, Clifford J.	Vietnam's Inconsistencies Between Political Structure and Socio-Economic Practice: Implications for the Nation's Future (Vol. 15, No. 2, September 1993, pp. 179-94)
	The Future Prospects of Sino-Vietnamese Relations: Are Trade and Commerce the Critical Factors for Sustainable Peace? (Vol. 17, No. 2, September 1995, pp. 126-46)
SIROROS, Patcharee	"Thai-Style" Contractual Relationships: Two Case Studies (Vol. 16, No. 3, December 1994, pp. 317-41)
SMITH Jr, Esmond D.	China's Aspirations in the Spratly Islands (Vol. 16, No. 3, December 1994, pp. 274-94)
STEINBERG, David I.	Liberalization in Myanmar: How Real are the Changes? (Vol. 15, No. 2, September 1993, pp. 161-78)
STIFEL, David	A Vision of Southeast Asia in the Year 2000: Towards a Common Economic Regime (Vol. 16, No. 1, June 1994, pp.1-13)
SUKMA, Rizal	Recent Developments in Sino-Indonesian Relations: An Indonesian View (Vol. 16, No. 1, June 1994, pp. 35-45)
SURYADINATA, Leo	Golkar of Indonesia: Recent Developments (Vol. 19, No. 2, September 1997, pp. 190-204)
	Patterns of Chinese Political Participation in Four ASEAN States (Vol. 15, No. 3, December 1993, pp. 292-308)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

T

TALIB, Obood — The ASEAN Regional Forum: Preparing for Preventive Diplomacy (Vol. 19, No. 3, December 1997, pp. 252-68)

TAY, Simon S. C. — The ASEAN Regional Forum: Preparing for Preventive Diplomacy (Vol. 19, No. 3, December 1997, pp. 252-68)

THAKUR, Ramesh — Australia's Regional Engagement (Vol. 20, No. 1, April 1998, pp. 1-21)

The Asia-Pacific Region and the United Nations (Vol. 18, No. 2, September 1996, pp. 119-34)

THAMBIPILLAI, Pushpa — Southeast Asia, Russia and the Ex-Soviet Republics: Expanding the Links (Vol. 16, No. 1, June 1994, pp. 93-107)

THAYER, Carlyle A. — Force Modernization: The Case of the Vietnam People's Army (Vol. 19, No. 1, June 1997, pp. 1-28)

TIN Maung Maung Than — Neither Inheritance nor Legacy: Leading the Myanmar State since Independence (Vol. 15, No. 1, June 1993, pp. 24-63)

TOWNSEND-GAULT, Ian — Preventive Diplomacy and Pro-Activity in the South China Sea (Vol. 20, No. 2, August 1998, pp. 171-90)

TURNER, Mark — Terrorism and Secession in the Southern Philippines: The Rise of Abu Sayaff (Vol. 17, No. 1, June 1995, pp. 1-19)

V

VILLACORTA, Wilfrido V. — The Curse of the Weak State: Leadership Imperatives for the Ramos Government (Vol. 16, No. 1, June 1994, pp. 67-92)

VILLANUEVA, A. B. — Parties and Elections in Philippine Politics (Vol. 18, No. 2, September 1996, pp. 175-92)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

W

WEATHERBEE, Donald E. — The Foreign Policy Dimensions of Subregional Economic Zones (Vol. 16, No. 4, March 1995, pp. 421-32)

WOODS, L. Shelton — The Myth of Cambodia's Recovery (Vol. 18, No. 4, March 1997, pp. 417-29)

Y

YOUNG, Thomas-Durell — Assessing Australia's Southeast Asian Strategy (Vol. 15, No. 4, March 1994, pp. 367-84)

YU Ji — The Test Case for China's Defence and Foreign Policies (Vol. 16, No. 4, March 1995, pp. 375-403)

YU, Peter Kien-Hong — Potential Areas of Chinese Regional Military Separatism (Vol. 15, No. 4, March 1994, pp. 464-98)

YUAN, Jing-Dong — China's Defence Modernization: Implications for Asia-Pacific Security (Vol. 17, No. 1, June 1995, pp. 67-84)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

TITLE INDEX

Volumes 15–20

A

A Further Look at UNTAC's Performance and Dilemmas: A Review Article	Sorpong Peou (Vol. 17, No. 2, September 1995, pp. 207-23)
A Paradigm of Autonomy: The Hong Kong and Macau SARs	Arnaldo Gonçalves (Vol. 18, No. 1, June 1996, pp. 36-60)
A Short Note on ASEAN-Great Power Interaction	Lam Lai Sing (Vol. 15, No. 4, March 1994, pp. 451-63)
A Vision of Southeast Asia in the Year 2000: Towards a Common Economic Regime	Narongchai Akrasanee and David Stifel (Vol. 16, No. 1, June 1994, pp. 1-13)
Alternative U. S. Strategies with respect to China and the Implications for Vietnam	Peter van Ness (Vol. 20, No. 2, August 1998, pp. 154-70)
An Analysis of Sino-British Negotiations Over Hong Kong's Political Reform	Lo Shiu Hing (Vol. 16, No. 2, September 1994, pp. 178-209)
ASEAN: Out of Its Depth?	John Funston (Vol. 20, No. 1, April 1998, pp. 22-37)
ASEAN Dispute Management: Implications for Vietnam and an Expanded ASEAN	Hoang Anh Tuan (Vol. 18, No. 1, June 1996, pp. 61-80)
ASEAN's Bridges to Vietnam and Laos	Michael Antolik (Vol. 15, No. 2, September 1993, pp. 195-210)
Assessing Australia's Southeast Asian Strategy	Thomas-Durell Young (Vol. 15, No. 4, March 1994, pp. 367-84)
At Thirty, ASEAN Looks to Challenges in the New Millennium	Hussin Mutalib (Vol. 19, No. 1, June 1997, pp. 74-85)
Australia's Regional Engagement	Ramesh Thakur (Vol. 20, No. 1, April 1998, pp. 1-21)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

Digitized by Arya Samaj Foundation Chennai and eGangotri

B

Bilateral Accomplishments and Multilateral Tasks in Northeast Asian Security — James Cotton (Vol. 20, No. 2, August 1998, pp. 137-53)

C

Cambodia since the Election: Peace, Democracy and Human Rights? — Terence Duffy (Vol. 15, No. 4, March 1994, pp. 407-32)

China's Aspirations in the Spratly Islands — Esmond D. Smith Jr (Vol. 16, No. 3, December 1994, pp. 274-94)

China's Defence Modernization: Implications for Asia-Pacific Security — Jing-Dong Yuan (Vol. 17, No. 1, June 1995, pp. 67-84)

China's Foreign Policy Under Status Discrepancy, Status Enhancement — Sheng Lijun (Vol. 17, No. 2, September 1995, pp. 101-25)

Constructing the Vietnam War: A Review Article — Greg Lockhart (Vol. 18, No. 3, December 1996, pp. 320-36)

Current Sino-U.S. Relations in Strategic Perspective — Denny Roy (Vol. 20, No. 3, December 1998, pp. 225-40)

D

Defence Force Modernization in Asia: Towards 2000 and Beyond — Paul Dibb (Vol. 18, No. 4, March 1997, pp. 347-60)

Democracy and Civil Society: Growth Model and Area Diversity — John Girling (Vol. 15, No. 2, September 1993, pp. 232-42)

Democracy Lost? The Fate of the U.N.-implanted Democracy in Cambodia — Joakim Öjendal (Vol. 18, No. 2, September 1996, pp. 193-218)

Domestic Inhibitions to a Leadership Role for Japan in Pacific Asia — Peter W. Preston (Vol. 16, No. 4, March 1995, pp. 355-74)

E

Emerging Patterns of Political Leadership in Thailand — Surin Maisrikrod (Vol. 15, No. 1, June 1993, pp. 80-97)

End of the Beginning: Economic Reform in Cambodia, Laos, and Vietnam — Ronald Bruce St John (Vol. 19, No. 2, September 1997, pp. 172-89)

East Asian Security: Lessons from Europe? — Kay Möller (Vol. 17, No. 4, March 1996, pp. 353-70)

Environmental Security in East Asia — R. T. Maddock (Vol. 17, No. 1, June 1995, pp. 20-37)

CC-0. In Public Domain. Gurukul Kangri Collection, Haridwar

 Digitized by Arya Samaj Foundation Chennai and eGangotri

EU-ASEAN Relations: Reconciling Two Different Agendas — Eero Palmujoki (Vol. 19, No. 3, December 1997, pp. 269-85)

F

Fallout and Fallouts: Nuclear Power in Southeast Asia — Jon Barnett (Vol. 18, No. 4, March 1997, pp. 361-76)

Fighting the "Non-Attributable War" in Laos: A Review Article — Nick Freeman (Vol. 17, No. 4, March 1996, pp. 430-42)

Force Modernization: The Case of the Vietnam People's Army — Carlyle A. Thayer (Vol. 19, No. 1, June 1997, pp. 1-28)

From ASEAN Six to ASEAN Ten: Issues and Prospects — Sukhumbhand Paribatra (Vol. 16, No. 3, December 1994, pp. 243-58)

G

Golkar of Indonesia: Recent Developments — Leo Suryadinata (Vol. 19, No. 2, September 1997, pp. 190-204)

H

Hegemonic America: The Benign Superpower? — Bob Catley (Vol. 18, No. 4, March 1997, pp. 377-99)

Hong Kong's Democratic Challenge — Jermain T. M. Lam (Vol. 17, No. 1, June 1995, pp. 53-66)

Human Rights and Democracy in Indonesia and Malaysia: Emerging Contexts and Discourse — Philip Eldridge (Vol. 18, No. 3, December 1996, pp. 298-319)

I

India Goes Nuclear: Rationale, Benefits, Costs, and Implications — J. Mohan Malik (Vol. 20, No. 2, August 1998, pp. 191- 215)

Indochina and ASEAN: Seeking a New Balance — Michael Leifer (Vol. 15, No. 3, December 1993, pp. 269-79)

Indochina's Prospects for Stability — Ky Cao (Vol. 15, No. 4, December 1993, pp. 385-406)

Indonesian Defence Strategy and Security: Time for a Rethink? — Alan Dupont (Vol. 18, No. 3, December 1996, pp. 275-97)

Institutions and Actions in Vietnamese Foreign Policy-making: A Research Note — Zachary Abuza (Vol. 19, No. 3, December 1997, pp. 309-33)

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 Digitized by Arya Samaj Foundation Chennai and eGangotri

Interactive Naval Developments of Three Northeast Asian States	Renato Cruz De Castro (Vol. 17, No. 3, December 1995, pp. 319-36)
International Relations Theory and Vietnam	Zachary Abuza (Vol. 17, No. 4, March 1996, pp. 406-19)
L	
Leadership in Vietnam: Pressures for Reform and Their Limits	Russell Heng Hiang Khng (Vol. 15, No. 1, June 1993, pp. 98-110)
Leadership Succession and Security in the Philippines	Julius Caesar Parreñas (Vol. 15, No. 1, June 1993, pp. 64-79)
Liberalization in Myanmar: How Real are the Changes?	David I. Steinberg (Vol. 15, No. 2, September 1993, pp. 161-78)
Looking for Democratization in Post-Soeharto Indonesia	Chua Beng Huat (Vol. 15, No. 2, September 1993, pp. 131-60)
M	
Managing Dependency in a Reforming Economy: The Lao PDR	Jonathan Rigg (Vol. 17, No. 2, September 1995, pp. 147-72)
Mechanisms of Dispute Settlement: The ASEAN Experience	Mely Caballerro-Anthony (Vol. 20, No. 1, April 1998, pp. 38-66)
Memories of War Crimes in Asia and Europe: A Review Article	Kenneth Christie (Vol. 19, No. 4, March 1998, pp. 416-28)
Mixed Signals on Korean Security	James Cotton (Vol. 18, No. 4, March 1997, pp. 400-16)
Multilateral Security in the Asia-Pacific Region and its Impact on Chinese Interests: Views from Beijing	Bonnie Glaser and Banning Garret (Vol. 16, No. 1, June 1994, pp. 14-34)
Myanmar's Role in Regional Security: Pawn or Pivot?	J. Mohan Malik (Vol. 19, No. 1, June 1997, pp. 52-73)
N	
Neither Inheritance nor Legacy: Leading the Myanmar State since Independence	Tin Maung Maung Than (Vol. 15, No. 1, June 1993, pp. 24-63)
O	
Origins, Sustainability and Lessons from Thailand's Economic Growth	Chris Dixon (Vol. 17, No. 1, June 1995, pp. 38-52)

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P

Pacific Century: Myth or Reality? — Morton Abramowitz (Vol. 15, No. 3, December 1993, pp. 257-68)

Parties and Elections in Philippine Politics — A. B. Villanueva (Vol. 18, No. 2, September 1996, pp. 175-92)

Patterns of Chinese Political Participation in Four ASEAN States — Leo Suryadinata (Vol. 15, No. 3, December 1993, pp. 292-308)

Political Parties, Elite-Mass Gap and the Political Instability in Hong Kong — Lo Shiu Hing (Vol. 20, No. 1, April 1998, pp. 67-87)

Political Stability and Leadership Succession in Indonesia — M. Din Syamsuddin (Vol. 15, No. 1, June 1993, pp. 12-23)

Potential Areas of Chinese Regional Military Separatism — Peter Yu Kien-Hong (Vol. 15, No. 4, March 1994, pp. 464-98)

Preventive Diplomacy and Pro-Activity in the South China Sea — Ian Townsend-Gault (Vol. 20, No. 2, August 1998, pp. 171-90)

R

Reading the Asian Crisis: History, Culture and Institutional Truths — Peter W. Preston (Vol. 20, No. 3, December 1998, pp. 241-60)

Recent Developments in Sino-Indonesian Relations: An Indonesian View — Rizal Sukma (Vol. 16, No. 1, June 1994, pp. 35-45)

Re-engineering ASEAN — M. C. Abad Jr. (Vol. 18, No. 3, December 1996, pp. 237-53)

S

Singapore: New Regional Influence, New World Outlook? — Jean-Louis Margolin (Vol. 20, No. 3, December 1998, pp. 319-36)

Sino-Indian Rivalry in Myanmar: Implications for Regional Security — J. Mohan Malik (Vol. 16, No. 2, September 1994, pp. 137-56)

South China Sea Fisheries: Countdown to Calamity — Daniel Yarrow Coulter (Vol. 17, No. 4, March 1996, pp. 371-88)

Southeast Asia, Russia and the Ex-Soviet Republics: Expanding the Links — Pushpa Thambipillai (Vol. 16, No. 1, June 1994, pp. 93-107)

Southeast Asia's Currency Crisis: A Diagnosis and Prescription — Leif Roderick Rosenberger (Vol. 19, No. 3, December 1997, pp. 223-51)

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T

Terrorism and Secession in the Southern Philippines: The Rise of Abu Sayaff — Mark Turner (Vol. 17, No. 1, June 1995, pp. 1-19)

"Thai-Style" Contractual Relationships: Two Case Studies — Patcharee Siroros and Kenneth J. Haller (Vol. 16, No. 3, December 1994, pp. 317-41)

The 1995 ASEAN Summit: Scaling a Higher Peak — Simon J. Hay (Vol. 18, No. 3, December 1996, pp. 254-74)

The ASEAN Regional Forum: Building on Sand — Robyn Lim (Vol. 20, No. 2, August 1998, pp. 115-36)

The ASEAN Regional Forum: Preparing for Preventive Diplomacy — Simon S. C. Tay with Obood Talib (Vol. 19, No. 3, December 1997, pp. 252-68)

The ASEAN Regional Forum: The Spirit of Constructive Engagement — Michael Antolik (Vol. 16, No. 2, September 1994, pp. 117-36)

The ASEAN Triad: National Interest, Consensus-Seeking, and Economic Co-operation — Bilson Kurus (Vol. 16, No. 4, March 1995, pp. 404-20)

The Asia-Pacific Region and the United Nations — Ramesh Thakur and Samuel M. Makinda (Vol. 18, No. 2, September 1996, pp. 119-34)

The Cambodian Elections of 1998 and Beyond: Democracy in the Making? — Sorpong Peou (Vol. 20, No. 3, December 1998, pp. 279-97)

The Changing Dimensions of U.S. National Security Strategy: A Review Article — Leonard C. Sebastian (Vol. 16, No. 4, March 1995, pp. 46-59)

The Cultural Challenge for a Concert of Asia — Leif Roderick Rosenberger (Vol. 18, No. 2, September 1996, pp. 135-62)

The Curse of the Weak State: Leadership Imperatives for the Ramos Government — Wilfrido V. Villacorta (Vol. 16, No. 1, June 1994, pp. 67-92)

The Dilemmas Facing Australia's Defence Policy — Gary Brown (Vol. 15, No. 3, December 1993, pp. 309-42)

The Dynamics of Taiwan's Democratization and Crisis in the Taiwan Strait — Chang Pao-Min (Vol. 18, No. 1, June 1996, pp. 1-16)

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The Ethnic Security Dilemma: Evidence from Malaysia	Alan Collins (Vol. 20, No. 3, December 1998, pp. 261-78)
The Ethnic Vietnamese in Cambodia: A Minority at Risk?	Ramses Amer (Vol. 16, No. 2, September 1994, pp. 210-38)
The Foreign Policy Dimensions of Subregional Economic Zones	Donald E. Weatherbee (Vol. 16, No. 4, March 1995, pp. 421-32)
The Foreign Policy of Great-Power China	Denny Roy (Vol. 19, No. 2, September 1997, pp. 121-35)
The Future of the Khmer Rouge: Internal and External Variables	Zachary Abuza (Vol. 15, No. 4, March 1994, pp. 433-50)
The Future Prospects of Sino-Vietnamese Relations: Are Trade and Commerce the Critical Factors for Sustainable Peace?	Clifford J. Shultz II and William J. Ardrey IV (Vol. 17, No. 2, September 1995, pp. 126-46)
The Khmer Rouge and the Crisis of Vietnamese Settlers in Cambodia	Zachary Abuza (Vol. 16, No. 4, March 1995, pp. 433-45)
The Many Faces of UNTAC: A Review Article	Jamie Frederic Metzel (Vol. 17, No. 1, June 1995, pp. 85-96)
The Modernization of the Malaysian Armed Forces	J. N. Mak (Vol. 19, No. 1, June 1997, pp. 29-51)
The Myanmar Air Force Since 1988: Expansion and Modernization	Andrew Selth (Vol. 19, No. 4, March 1998, pp. 388-415)
The Myanmar Army Since 1988: Acquisitions and Adjustments	Andrew Selth (Vol. 17, No. 3, December 1995, pp. 237-64)
The Myth of Cambodia's Recovery	L. Shelton Woods (Vol. 18, No. 4, March 1997, pp. 417-29)
The Nexus Between Democracy and Stability: The Case of Southeast Asia	Mohamed Jawhar Hassan (Vol. 18, No. 2, September 1996, pp. 163-74)
The Notion of an Arms Race in the Asia-Pacific	Bunn Negara (Vol. 17, No. 2, September 1995, pp. 186-206)
"The Peace Dividend " in Southeast Asia: The Political Economy of New Thai-Vietnamese Relations	Surin Maisrikrod (Vol. 16, No. 1, June 1994, pp. 46-66)
The Political Consequences of Normalization of U.S.-Vietnam Relations	Alan E. Goodman (Vol. 17, No. 4, March 1996, pp. 420-29)

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The Political Economy of Taiwan's Relations with Southeast Asia: The "Southward Policy"	Samuel C. Y. Ku (Vol. 17, No. 3, December 1995, pp. 282-97)
The Political Economy of the Royal Government of Cambodia	Ronald Bruce St John (Vol. 17, No. 3, December 1995, pp. 265-81)
The Rise of State Corporatism in Vietnam	Yeonsik Jeong (Vol. 19, No. 2, September 1997, pp. 152-71)
The Role of Government in the Utilization of Official Development Assistance in Vietnam	Pham Hoang Mai (Vol. 18, No. 1, June 1996, pp. 81-99)
The Search for Elite Cohesion	David Brown (Vol. 15, No. 1, June 1993, pp. 111-30)
The South China Sea in China's Strategic Thinking	Shee Poon Kim (Vol. 19, No. 4, March 1998, pp. 369-87)
The State, Civil Society, and Foreign Actors: The Politics of Philippine Industrialization	Temario C. Rivera (Vol. 16, No. 2, September 1994, pp. 157-77)
The Territorial Disputes between China and Vietnam and Regional Stability	Ramses Amer (Vol. 19, No. 1, June 1997, pp. 86-113)
The Test Case for China's Defence and Foreign Policies	Yu Ji (Vol. 16, No. 4, March 1995, pp. 375-403)
The United Nations' Peacekeeping Operation in Cambodia: Overview and Assessment	Ramses Amer (Vol. 15, No. 2, September 1993, pp. 211-31)
The West and China: Crusaders and Cynics	Kay Möller (Vol. 19, No. 4, March 1998, pp. 351-68)
Thinking Globally from a Regional Perspective: Chinese, Indonesian and Malaysian Reflections on the Post-Cold War Era	Rosemary Foot (Vol. 18, No. 1, June 1996, pp. 17-35)
Towards a Declaration on "Navigational Rights" in the Sea-lanes of the Asia-Pacific	Ramses Amer (Vol. 20, No. 1, April 1998, pp. 88-102)
Transnational Production and Security: Southeast Asia's "Growth Triangles"	Amitav Acharya (Vol. 17, No. 2, September 1995, pp. 173-85)

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U

Understanding Cambodia's Political Developments — Abdulgaffar Peang-Meth (Vol. 19, No. 3, December 1997, pp. 286-308)

Unifying Korea: Beyond Hopes and Fears — Leif Roderick Rosenberger (Vol. 16, No. 3, December 1994, pp. 295-316)

U.S. Grand Strategy in Post-Cold War Asia-Pacific — Renato Cruz de Castro (Vol. 16, No. 3, December 1993, pp. 342-54)

V

Vietnam and China: New Opportunities and New Challenges — Chang Pao-Min (Vol. 19, No. 2, September 1997, pp. 136-51)

Vietnam and Its Neighbours: The Border Dispute Dimension — Ramses Amer (Vol. 17, No. 3, December 1995, pp. 298-318)

Vietnam's Inconsistencies Between Political Structure and Socio-Economic Practice: Implications for the Nation's Future — Clifford J. Shultz II and Khai Le (Vol. 15, No. 2, September 1993, pp. 179-94)

Vietnam's Membership in ASEAN: Economic, Political and Security Implications — Hoang Anh Tuan (Vol. 16, No. 3, December 1994, pp. 259-73)

W

Whither Guns, Goons, and Gold? The Decline of Factional Election Violence in the Philippines — John L. Linantud (Vol. 20, No. 3, December 1998, pp. 298-318)

Will Financial Crisis Lead to Doctrinal Renaissance for the U.S. Navy? — Stephen L. Ryan (Vol. 15, No. 3, December 1993, pp. 343-56)

Why Hasn't Vietnam Gained ASEAN Membership? — Hoang Anh Tuan (Vol. 15, No. 3, December 1993, pp. 280-91)

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BOOK REVIEW INDEX

Volumes 15–20

A

"A Strong Showing": Britain's Struggle for Power and Influence in South-East Asia 1942-1950 — Malcolm H. Murfett (Vol. 17, No. 3, December 1995, pp. 342-45)

An Emerging China in a World of Interdependance — Sheng Lijun (Vol. 18, No. 3, December 1996, pp. 342-46)

Arms Control in the Post-Cold War: With Implications for Asia/Pacific — Denny Roy (Vol. 15, No. 4, March 1994, pp. 501-4)

Asia in the 21st Century: Evolving Strategic Priorities — Robin Ramcharan (Vol. 18, No. 4, March 1997, pp. 435-39)

Asian Flashpoint: Security and the Korean Peninsula — Wookhee Shin (Vol. 18, No. 1, June 1996, pp. 100-4)

Asia-Pacific: A View on its Role in the New World Order — Peter Polomka (Vol. 18, No. 1, June 1996, pp. 107-13)

Australia and North-East Asia in the 1990s: Accelerating Change — Xavier Furtado (Vol. 18, No. 2, September 1996, pp. 227-30)

B

Business and Government in Industrialising Asia — Chung H. Lee (Vol. 17, No. 4, March 1996, pp. 443-46)

Business, Markets and Government in the Asia Pacific — Xavier Furtado (Vol. 20, No. 3, December 1998, pp. 344-46)

Buying Power: The Political Economy of Japan's Foreign Aid — Lam Peng Er (Vol. 17, No. 3, December 1995, pp. 339-41)

C

Communicating with Asia: Understanding People and Customs — Yao Souchou (Vol. 19, No. 2, September 1997, pp. 219-22)

Communitarian Ideology and Democracy in Singapore — R. S. Milne (Vol. 18, No. 2, September 1996, pp. 219-24)

Co-operating for Peace — Thomas Quiggin (Vol. 17, No. 4, March 1996, pp. 449-54)

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D

Democracy and Development in Southeast Asia — Kenneth Christie (Vol. 18, No. 3, December 1996, pp. 337-39)

Democracy and Violence in India and Sri Lanka — Kripa Sridharan (Vol. 18, No. 2, September 1996, pp. 232-36)

Divided Kashmir: Old Problems, New Opportunities for India, Pakistan, and the Kashmir People — Ishtiaq Hossain (Vol. 19, No. 3, December 1997, pp. 342-46)

Dynamics of Regional Politics: Four Systems on the Indian Ocean Rim — Pushpa Thambipillai (Vol. 18, No. 2, September 1996, pp. 230-32)

E

Eastern Asia: An Introductory History — Gerald Jordon (Vol. 17, No. 2, September 1995, pp. 228-30)

Essays on Strategy VIII — Miles A. Baldwin (Vol. 7, No. 3, December 1995, pp. 350-52)

F

Fostering an Indigenous Defence Industry: Defence Industry Policy After the "Price Review" — Doug Thomson (Vol. 17, No. 3, December 1995, pp. 345-48)

G

Grey-Area Phenomena in Southeast Asia: Piracy, Drug Trafficking and Political Reform — Carl Grundy-Warr (Vol. 20, No. 1, April 1998, pp. 110-14)

H

Historical Dictionary of Laos — Arthur J. Dommen (Vol. 17, No. 4, March 1996, pp. 457-59)

Human Rights and International Relations in the Asia-Pacific Region — Ann Kent (Vol. 18, No. 4, March 1997, pp. 439-42)

Human Rights in Cross-Cultural Perspectives: A Quest for Consensus — Amyn B. Sajoo (Vol. 15, No. 2, September 1993, pp. 243-46)

I

Idealogical Innovation Under Monarchy: Aspects of Legitimation Activity in Contemporary Brunei — James Gomez (Vol. 17, No. 4, March 1996, pp. 454-56)

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In Jeopardy: The Royal Navy and British Far Eastern Defence Policy, 1945-1951	Gerald Jordon (Vol. 18, No. 2, September 1996, pp. 225-27)
India and Southeast Asia: Challenges and Opportunities	S. D. Muni (Vol. 19, No. 2, September 1997, pp. 209-13)
India Looks East: An Emerging Power and its Asia-Pacific Neighbours	Dipankar Banerjee (Vol. 19, No. 2, September 1997, pp. 213-16)
India's Foreign Policy, 1947-92: Shadows and Substance	Kripa Sridharan (Vol. 16, No. 2, September 1994, pp. 239-42)
Indonesia and the "Third Wave of Democratization": The Indonesian Pro-Democracy Movement in a Changing World	Bob Lowry (Vol. 20, No. 1, April 1998, pp. 103-7)
Interpreting Democracy. Capitalism, Democracy, and the Middle Class in Thailand	John Funston (Vol. 19, No. 4, March 1998, pp. 429-31
J	
Japan's Asia Policy: Regional Security and Global Interests	Kim Ong-Giger (Vol. 20, No. 2, August 1998, p. 221-24)
L	
Language and Power: Exploring Political Cultures in Indonesia	Leonard C. Sebastian (Vol. 17, No. 1, June 1995, pp. 97-100)
M	
Major Powers at a Crossroads: Economic Interdependance and an Asia Pacific Security Community	Leszek Buszynski (Vol. 18, No. 4, March 1997, pp. 430-31)
Mirror on the Wall: Media in a Singapore Election	Khong Cho Oon (Vol. 15, No. 3, December 1993, pp. 359-62)
N	
Naval Power in the Pacific: Toward the Year 2000	Renato Cruz de Castro (Vol. 19, No. 2, September 1997, pp. 216-19)
Negotiating the Pacific Century: The "New" Asia, the United States and Australia	Alan Dupont (Vol. 19, No. 2, September 1997, pp. 205-9)

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P

Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific — Kenneth Christie (Vol. 17, No. 3, December 1995, pp. 337-39)

Pathways to Asia: The Politics of Engagement — Peter Polomka (Vol. 19, No. 3, December 1997, pp. 337-42)

Peace Accords and Ethnic Conflict — David Carment (Vol. 15, No. 2, September 1993, pp. 246-51)

Peacekeeping: Challenges for the Future — Kenneth Christie (Vol. 15, No. 4, March 1994, pp. 499-501)

Political Change in Thailand — Jim Ockey (Vol. 20, No. 2, August 1998, pp. 216-18)

R

Regional Security in the South Pacific: The Quarter Century 1970-95 — Roderick Alley (Vol. 17, No. 4, March 1996, pp. 447-49)

Reinventing Vietnamese Socialism: Doi Moi in Comparative Perspective — Russell Heng Hiang Khng (Vol. 15, No. 3, December 1993, pp. 357-59)

S

Secret Army, Secret War — Nick J. Freeman (Vol. 18, No. 3, December 1996, pp. 339-42)

Sihanouk: Prince of Light, Prince of Darkness — Sorpong Peou (Vol. 19, No. 4, March 1998, pp. 431-34)

Singapore Changes Guard — John Girling (Vol. 15, No. 3, December 1993, pp. 362-66)

Southeast Asia: Tradition and Modernity in the Contemporary World — Gerald Jordan (Vol. 19, No 3, December 1997, pp. 334-37)

Southeast Asian Chinese and China: The Political-Cultural Dimension — Yao Souchou (Vol. 17, No. 2, September 1995, pp.224-27)

Southeast Asian Chinese and China: The Socio-Cultural Dimension — Yao Souchou (Vol. 17, No. 2, September 1995, pp.224-27)

Southeast Asian Security in the New Millennium — Mark G. Rolls (Vol. 19, No. 3, December 1997, pp. 346-50)

Sri Lanka: Militarisation and Modernisation — V. Suryanarayan (Vol. 17, No. 3, December 1995, pp. 348-50)

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T

Taiwan and Chinese Nationalism: National Identity and Status in International Society	Gerald Chan (Vol. 20, No. 3, December 1998, pp. 341-44)
Taiwan in the Asia-Pacific in the 1990s	Fu-Kuo Liu (Vol. 17, No. 2, September 1995, pp. 231-36)
The Armed Forces of Indonesia	John B. Haseman (Vol. 19, No. 1, June 1997, pp. 118-20)
The Chittagong Hill Tracts of Bangladesh: The Untold Story	Taj ul-Islam Hashmi (Vol. 17, No. 4, March 1996, pp. 459-61)
The Environment and Security in Pacific Asia	Michael Wesley (Vol. 20. No. 3, December 1998, pp. 337-41)
The Gulf War: Critical Perspectives	Keith Krause (Vol. 18, No. 1, June 1996, pp. 104-7)
The Katipunan and the Revolution: Memoirs of a General	Vivencio R. Jose (Vol. 18, No. 1, June 1996, pp. 113-18)
The Third World Security Predicament: State Making, Regional Conflict and the International System	S. D. Muni (Vol. 19, No. 1, June 1997, pp. 114-18)
The Transformation of Security in the Asia-Pacific Region	Richard Stubbs (Vol. 18, No. 4, March 1997, pp. 431-35)
Transforming the Tatmadaw: The Burmese Armed Forces Since 1998	Tin Maung Maung Than (Vol. 20, No. 2, August 1998, pp. 218-21)

V

Vietnam and the Rule of Law	David Koh (Vol. 16, No. 1, June 1994, pp. 108-11)
Vietnam Data Bank: 1976-1991	Carolyn L. Gates (Vol. 15, No. 2, September 1993, pp. 152-56)
Vietnam — The Politics of Bureaucratic Socialism	Russell Heng Hiang Khng (Vol. 15, No. 4, March 1994, pp. 504-7)
Vietnam: The Struggle for National Identity	Li Tana (Vol. 16, No. 1, June 1994, pp. 112-16

W

War in the Blood: Sex, Politics and AIDS in Southeast Asia	Marc Askew (Vol. 20, No. 1, April 1998, pp. 107-10)

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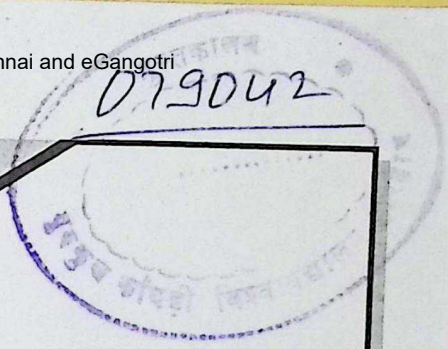

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